



SUSTAINABILITY

Management Platform Supporting Value Creation

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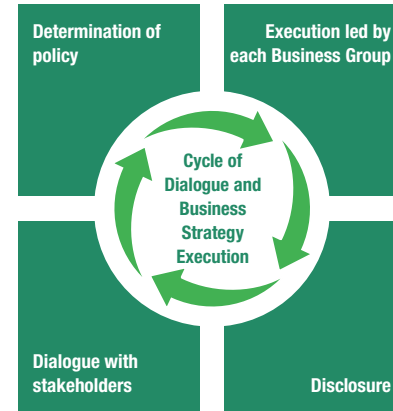
Sustainability Promotion Framework

Sustainability Initiatives

The Three Corporate Principles, which have served as MC's corporate philosophy since its inception, exhort us to "strive to enrich society, both materially and spiritually, while contributing towards the preservation of the global environment." Recognizing that social and environmental issues represent both risks that must be addressed and new business opportunities, we believe that creating not only economic value, but also societal value and environmental value is essential for the sustainable growth of MC.

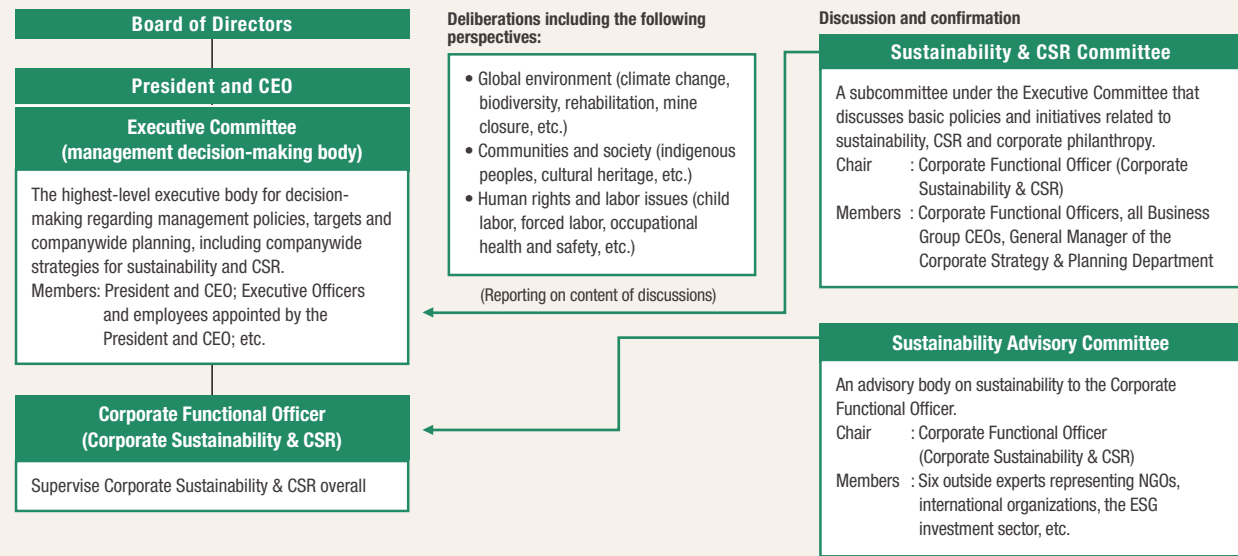
MC defines sustainability initiatives as the creation of societal value and environmental value through business activities. By distinguishing this from corporate philanthropy activities (CSR) such as charitable donations, we are further strengthening initiatives to achieve triple-value growth through our business.

Furthermore, to meet the ever-changing demands of society, we believe it is important to maintain a cycle of dialogue with stakeholders combined with the drafting and execution of related measures.



Companywide Sustainability Framework

In MC's management framework, sustainability initiatives are overseen by the Member of the Board/Corporate Functional Officer in charge of Corporate Sustainability and CSR. The Corporate Sustainability & CSR Department plans and drafts related policies and measures. Following deliberations by the Sustainability & CSR Committee, which convenes approximately twice a year, items are put forward or reported to the Executive Committee and the Board of Directors.



Main Discussion Themes for the Sustainability & CSR Committee in the Fiscal Year Ended March 31, 2021.

- Sustainability survey report**
Reference: Please refer to pages 51 and 120 for the survey results for the fiscal year ended March 31, 2021.
- Setting of 2030 targets for MC's Key Sustainability Issues**
Reference: Please refer to page 35 for more about these targets.
- Analysis of the impact of climate change on MC's business activities (transition risks and physical risks)**
Reference: Please refer to pages 58-61 for more about MC's climate change initiatives.
- Initiatives toward a low-carbon/decarbonized society (including the establishment of a study group to explore ways to achieve net-zero emissions)**
Reference: Please refer to pages 38-43 for more about MC's EX initiatives.
- NGO/Shareholder engagement policy**
Reference: Please refer to pages 49, 62-63 for more information about MC's stakeholder engagement policy.
- Corporate philanthropy activities (including disaster relief projects)**

Promoting Sustainability Through Business

To continuously create societal value and environmental value through our business activities, we have established a framework through which not only Corporate Departments, but also Business Groups proactively promote sustainability.

Sustainability Promotion Framework in Each Business Group

- To further promote Business Group initiatives, management personnel responsible for promoting business strategy in each Business Group have been appointed as Chief Sustainability Officers.
- To promote collaboration, MC holds meetings for Group Sustainability Managers as needed to share information and explain measures related to sustainability.



Cycle for Integrating Sustainability into Business Strategy

- Each Business Group formulates its business strategy based on content deliberated by the Sustainability & CSR Committee.
- In the Business Strategy Committee, in which the President and Group CEOs discuss the future strategies for each business, policy approaches based on analyses of multiple climate change scenarios are confirmed for certain Business Groups.



Incorporating Sustainability into Individual Projects

- By having the General Manager of the Corporate Sustainability & CSR Department serve as a member of the Investment Committee, MC has put in place a screening system that reflects potential environmental and social impacts in decision-making.
- For proposal applications such as management plans for subsidiaries and affiliates, by requiring details on aspects including the position of the business in relation to promoting Key Sustainability Issues as well as potential environmental and social risks (including scenario analyses). Through this process, MC seeks to assess risks and create project proposals with an awareness of impacts on the environment and society.
- The Corporate Sustainability & CSR Department has dedicated staff tasked with monitoring both the risks and opportunities of individual proposals for each Business Group from environmental and social perspectives. In reviewing proposals, the department conducts risk management including by performing environmental due diligence together with the Business Group as necessary, as well as by sharing stakeholder concerns and referring to International Finance Corporation (IFC) guidelines. In addition, the Corporate Sustainability & CSR Department helps MC seize new opportunities by offering knowledge and coordination as a department dedicated to sustainability issues.

Screening process for investment and finance proposals





Disclosure (Sustainability Website)

MC's approach to the disclosure of sustainability-related information is guided by a recognition that corporate value can be enhanced from a medium- to long-term perspective through a continuous cycle of stakeholder dialogue and strategy execution. Based on requests from investors and other stakeholders, we provide details on how our sustainability initiatives contribute to corporate value creation in the medium to long term through timely and accurate disclosures. The feedback we receive in response to these disclosures is consistently captured and reflected in our initiatives.

In March 2021, MC launched the Sustainability Website as a new platform for ESG disclosures with the aim of centralizing ESG-related information disclosed separately through such channels as the Integrated Report and the ESG Data Book, and of responding in a timely manner to the increasingly complex requirements of ESG evaluation bodies and disclosure standards.

The website is primarily aimed at stakeholders who have a strong interest in ESG investment. Referring to multiple ESG reporting guidelines, it has been organized according to ESG topic for easier reference as listed below.

Furthermore, disclosures are made through the Sustainability Website after approval by the Corporate Functional Officer in charge of Corporate Sustainability & CSR and after reporting to the Disclosure Committee, a subcommittee of the Executive Committee.

Sustainability Website Disclosures by ESG Category

Environment	Social	Governance
<ul style="list-style-type: none"> Climate Change Environmental Management Water Resources Biodiversity Prevention of Pollution Efficient Use of Resources 	<ul style="list-style-type: none"> Human Rights Labor Practices Diversity Management Occupational Health and Safety Human Resource Development Customer Responsibility Community Supply Chain Management 	<ul style="list-style-type: none"> Board of Directors and Shares, etc. Audit & Supervisory Board and Audit Directors' and Audit & Supervisory Board Members' Remuneration, etc. Compliance Risk Management

Collecting Sustainability Information on a Consolidated Basis

To fully grasp qualitative and quantitative information around corporate sustainability, MC annually conducts environmental and occupational health and safety surveys targeting all subsidiaries and affiliates on a global, consolidated basis. The aggregated results are reported to management and are used as basic materials when considering sustainability initiatives and other measures.

<p>Selection of survey targets (March)</p>	<p>The subsidiaries and affiliates subject to the survey are determined by the relevant Business Groups/Divisions. In principle, the survey covers all subsidiaries and affiliates including consolidated subsidiaries, affiliates (including affiliates of subsidiaries) under the equity method, and jointly managed projects and companies.</p>	<p>Greenhouse gas emissions from subsidiaries and affiliates and other figures are aggregated and managed through an internal online system to enable accurate and timely data collection.</p>
<p>Start of survey (March)</p>	<p>The survey items include greenhouse gas emissions, water, waste, occupational health and safety data, expenditures for philanthropic activities, environmental management measures and other management policies.</p>	
<p>Completion of survey (May)</p>	<p>Data on consolidated greenhouse gas emissions, energy usage, electricity consumption, non-consolidated occupational health and safety performance and other aspects has received independent practitioner's assurance from Deloitte Tohmatsu Sustainability Co., Ltd. to improve data reliability.</p>	
<p>Reporting/disclosure (from June)</p>	<p>The survey results are reported to the Sustainability & CSR Committee, the Executive Committee and the Board of Directors. A portion of the data is disclosed on the Sustainability Website, in our Sustainability Report and in our annual response to CDP.</p>	



Dialogue with Stakeholders (Incorporating External Perspectives)

MC places great importance on its ability to identify and appropriately address the ever-changing demands of society. We engage in direct dialogue with investors including shareholders and NGOs, and hold discussions with local communities on individual projects. In addition, we carry out supply chain surveys as part of our supply chain management. We see constructive dialogue with all of our stakeholders and the reflection of input from that dialogue in our policies and actions as being vital to the achievement of sustainable medium- to long-term improvement in our corporate value.

Moreover, to better understand global environmental and societal trends, MC has established sustainability departments in Europe, the Americas, Southeast Asia and other regions to share and coordinate information. We are also a signatory of the UN Global Compact and are a member of organizations such as the World Business Council for Sustainable Development (WBCSD). In addition, the Sustainability Advisory Committee, which we established in 2008, is working to incorporate external perspectives into our sustainability activities. The committee meets twice a year to provide advice and recommendations.

Dialogue with Stakeholders in the Fiscal Year Ended March 31, 2021

In the fiscal year ended March 31, 2021, MC held approximately 30 direct dialogues with shareholders on the topic of sustainability. We also conducted 70 direct dialogues with NGOs, including two in Japan, 48 in Europe and 20 in Americas. These meetings provided valuable insights into stakeholders' perspectives, including expectations in relation to our strategies toward the transition to a low-carbon/decarbonized society, as well as policies around individual fossil fuel projects. MC will firmly consider the suggestions we have received and will strive to provide timely and appropriate disclosure of the response measures and policies we formulate.

Sustainability Advisory Committee

MC has established the Sustainability Advisory Committee which consists of six outside experts representing the perspectives of MC's diverse stakeholders including NGOs, international agencies and the ESG investment sector, as an advisory body to the Corporate Functional Officer (Corporate Sustainability & CSR). MC conveys its thinking on sustainability policies to committee members and, with the aim of improving stakeholder engagement, receives advice and recommendations from them. Moreover, MC conducts tours of business sites for committee members in order to deepen their understanding of MC's businesses. At the Sustainability Advisory Committee meeting held in May 2021, MC received feedback on the following topics:

Sustainability Advisory Committee Members

<p>Eiichiro Adachi Counselor, Head of ESG Research Center</p>	<p>Masaru Arai Chair, Japan Sustainable Investment Forum</p>
<p>Peter D. Pedersen Professor Graduate School of Leadership and innovation, Shizenkan University</p>	<p>Yasushi Hibi Vice President, Regional Climate Lead Conservation International Japan</p>
<p>Takejiro Sueyoshi Special Advisor to the UNEP FI in the Asia-Pacific Region</p>	<p>Miwa Yamada Director, Law and Institution Studies Group, Inter-disciplinary Studies Center (IDE-JETRO)</p>

Main Discussion Topics

- MC's Key Sustainability Issues
- Responding to climate change
- Supply chain management
- Stakeholder engagement
- Corporate philanthropy activities (including recovery activities)
- Consideration of important policies for the future

On-Site Observation Tour

In the fall of 2020, MC conducted a site visit to imperfect Inc.,* in Omotesando, Tokyo. During the visit, Sustainability Advisory Committee members learned about the role imperfect's activities play and the challenges faced in promoting sustainable activities to support livelihoods and conserve the environment.



*imperfect Inc. sells products that combine ingredients such as nuts, cacao and coffee produced through initiatives with high environmental and societal value, based on MC's commitment to "address societal issues related to food and agriculture through business practices."

Supply Chain Management

Basic Approach on Human Rights (Including Response to International Norms)

MC believes that respect for human rights is fundamental to doing business globally. MC stipulates its respect for human rights in its Corporate Standards of Conduct and Social Charter. MC's Code of Conduct for executives and employees states that MC will "respect human rights; will not engage in discrimination on the basis of race, ethnicity, creed, religion, or any other grounds; will not tolerate harassment; will respect the cultures, customs, and languages of other countries and regions" both inside and outside MC. MC also supports international norms such as the UN Guiding Principles on Business and Human Rights, the core labor standards of the International Labour Organization (ILO), and the Voluntary Principles on Security and Human Rights. Furthermore, in the UK, the government established the UK

Modern Slavery Act (MSA), which requires certain companies to disclose actions taken to mitigate modern slavery in their supply chains. In response to this legislation, MC publishes a statement annually. The Mitsubishi Corporation Policy for Sustainable Supply Chain Management includes clauses covering the prohibition of forced labor and child labor. MC expects its suppliers to understand, embrace and abide by this policy.

Reference Please refer to the Mitsubishi Corporation's Corporate Standards of Conduct, the Mitsubishi Corporation Code of Conduct and the Mitsubishi Corporation Social Charter. FY2020 Modern Slavery Statement: https://www.mitsubishicorp.com/jp/en/csr/management/pdf/modern_slavery_statement.pdf

Policy and Structure for Supply Chain Management

Policy

For MC, as a global company involved in businesses across a wide range of products and services, ensuring sustainable supply chains is a key issue. MC has established its approach into a supply chain policy. Furthermore, MC has formulated individual guidelines for certain products that require specific individualized initiatives.

Structure

Basic policies and survey results for supply chain management, are determined by the Executive Committee based on deliberations by the Sustainability Advisory Committee and the Sustainability & CSR Committee, and are also reported to the Board of Directors.

Basic Policy/Survey Results for Supply Chain Management



Mitsubishi Corporation Policy for Sustainable Supply Chain Management

Basic Policy

Since its foundation, MC has adhered to the Three Corporate Principles which have guided its corporate philosophy and which place considerable emphasis on the importance of its corporate social responsibilities. Moreover, our Corporate Standards of Conduct outline our commitment to comply with all relevant laws and international regulations and to act responsibly with respect to the highest social standards. Our Corporate Standards of Conduct further elaborate on our commitment to preserving the global environment and pursuing sustainable development through all aspects of our business activities.

1. Policy

For MC, as a global company involved in businesses across a wide range of products and services, ensuring sustainable supply chains is a key issue. MC has established the Mitsubishi Corporation Policy for Sustainable Supply Chain Management, which outlines MC's actions to address human rights, labor rights and environmental issues in the supply chain. This policy serves to convey MC's fundamental perspective to all its suppliers.

2. Monitoring

MC conducts regular surveys to suppliers to monitor the status of their compliance with the Basic Policy and to strengthen communication with suppliers. Furthermore, MC visits suppliers to confirm the status of their activities when it determines that site visits are necessary based on the regions where suppliers are active and their business activities.

3. Response to Compliance Violations

If a violation of the Basic Policy is confirmed, MC will demand that the relevant supplier implement corrective measures and will provide guidance and assistance to the supplier as necessary. If MC determines that the supplier is unlikely to implement corrective measures even after providing continuous guidance and assistance, MC will re-evaluate its business relationship with the relevant supplier.

- | | | |
|--|---------------------------|-----------------------------|
| (1) Forced Labor | (5) Discrimination | (9) Anti-Corruption |
| (2) Child Labor | (6) Abuse and Harassment | (10) Environment |
| (3) Safe and Healthy Working Environments | (7) Working Hours | (11) Information Disclosure |
| (4) Freedom of Association and Collective Bargaining | (8) Suitable Remuneration | |

URL <https://mitsubishicorp.disclosure.site/en/themes/126#1147>

Supply Chain Management Initiatives

Our Approach to Supply Chain Management

MC regularly conducts surveys of suppliers, with a focus on those in industries where environmental and social risks are considered higher such as marine/agricultural products and apparel, in order to monitor their compliance with MC's Policy for Sustainable Supply Chain Management. MC determines the target products and suppliers to be surveyed, and conduct post-survey follow-up in line with the approach outlined below.



Survey Results MC received responses from about 1,000 suppliers in approximately 30 countries and regions including China, Vietnam and Thailand via its survey conducted in the fiscal year ended March 31, 2021 (survey based on transactions during the fiscal year ended March 31, 2020). Based on these results and other factors including the external environment, MC will conduct additional surveys and site visits for a number of the suppliers.

Communication with Suppliers

In the fiscal year ended March 31, 2021, MC employees visited a garment factory in Japan, which supplies apparel products to MC's subsidiary Mitsubishi Corporation Fashion Co., Ltd., and conducted interviews with employees and company management.

Working in partnership with suppliers, MC will continue to promote sustainable operations throughout its supply chains.



Garment factory site visit

URL <https://mitsubishicorp.disclosure.site/en/themes/126#1147>

Employee Training

Many employees at MC have the opportunity to undertake trading activities such as purchasing and sales, or to support such activities at some time in their careers. For this reason, MC strives to deepen the knowledge of all employees as buyers by explaining MC's corporate

philosophy, including respect for human rights in the supply chain. MC also integrates the relevant supply chain policy into buyer training such as programs geared toward specific levels of management including those for new employees as well as training on trading practices.

Communication with Stakeholders

Through dialogue with stakeholders, MC exchanges opinions on supply chain management and perform reviews as necessary to make improvements. The table to the right shows the type of reviews that MC has conducted to date, drawing on comments from stakeholders.

In addition to questionnaire surveys, MC regularly conducts site visits to its suppliers (including its subsidiaries and affiliates) worldwide. (Past visits have included shrimp hatcheries and processing companies, coffee milling plants and farms, tea producers, garment factories, pangasius aquaculture and processing plants, chicken processing plants, etc.). Through the site visits and interviews with management and employees, MC confirms that its suppliers understand, embrace and abide by its Policy for Sustainable Supply Chain Management. MC also shares best practice examples in relation

to sustainability policies and initiatives to achieve two-way communication with our suppliers. MC will continue communicating with our suppliers to ensure that our supply chains operate sustainably.

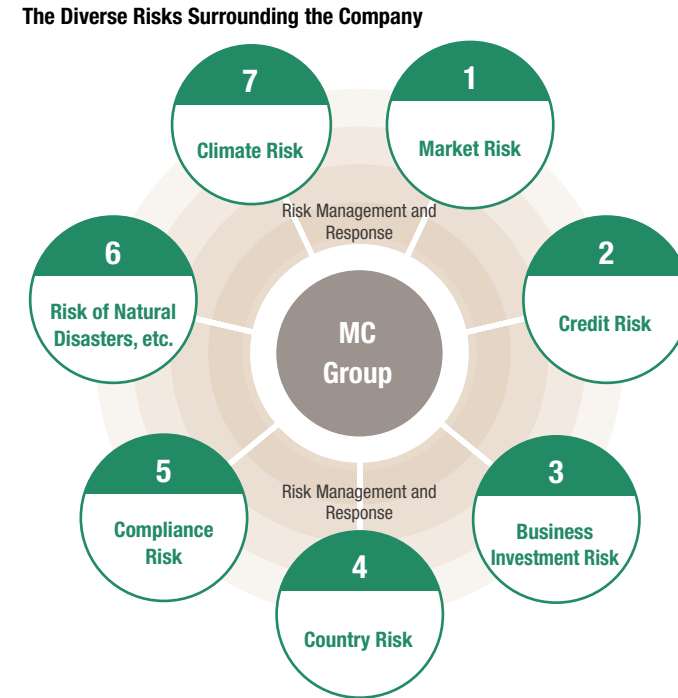
Examples of items revised based on comments from stakeholders:

- Began regularly obtaining suppliers' agreement with the Mitsubishi Corporation Policy for Sustainable Supply Chain Management
- Added more target products to the survey
- Developed an online system aimed at improving convenience and accessibility for suppliers answering the survey

Past site visit report archive <https://mitsubishicorp.disclosure.site/en/themes/155>

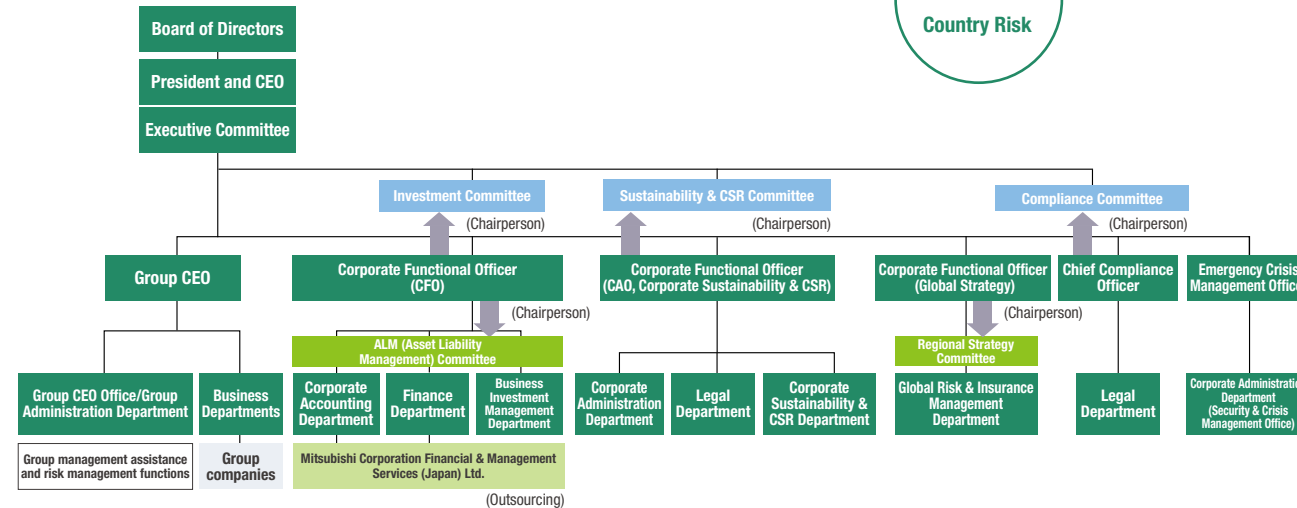
The MC Group's Risk Management Framework

As the MC Group expands its diverse range of businesses globally, it faces a variety of risks. To maintain our financial soundness and improve our sustainable corporate value, it is crucial that we appropriately manage and respond to various risks. This section explains the MC Group's Risk Management Framework and related response measures.



Risk Management Framework and Organization Model

Business Groups and dedicated corporate departments that deal with specific risks collaborate on the development of operations and management frameworks that enable appropriate response to risk.



Supervising organization	Matters for supervision
Business Investment Management Department	Business investment risk (investment asset evaluation systems, new business investment, actions involving existing subsidiaries and affiliates, actions by subsidiaries and affiliates)
Global Risk & Insurance Management Department	Country risk
Corporate Accounting Department (Risk Management Team)	Credit risk and market risk (rating systems, accrual (other than foreign exchange accrual), granting loans/guaranty, acquisition/disposal of non-affiliated investments, acquisition/disposal of fixed assets)
Mitsubishi Corporation Financial & Management Services (Japan) Ltd.	Credit risk (contracts, transaction credits, deposition, payment extension)
Finance Department	Market risk (foreign exchange risk, interest rate risk, stock price risk, etc.)
Legal Department	Compliance risk (litigation/government investigations, laws and regulations, scandals/compliance issues)
Corporate Sustainability & CSR Department	Climate risk, etc.
Corporate Administration Department (Security & Crisis Management Office)	Risk of natural disasters, etc. (risks related to employee safety, including natural disasters, terrorism, new infectious diseases, and business continuity risks)

Note: The above list excludes those items that are related to major risks and those that are explained separately.

1 Responding to Market Risk

MC broadly divides market risk into four types: commodity market risk, foreign exchange risk, interest rate risk and stock price risk. This section explains the impact of these risks on our business as well as our status in managing these risks.

Financial Impacts of Commodity Market Conditions/Exchange Rates/Interest Rates/Stock Price Risks

	Fiscal year ending March 31, 2022 Assumptions behind results forecasts	Profit and loss impact on the fiscal year ending March 31, 2022 results forecast
Exchange rate (yen/US\$)	108.00	±1.5 billion yen (±1 yen/US\$) per year
Oil price (Dubai) (US\$/BBL) (US\$/BBL)	54 (April-September 2021: 57)	±2.5 billion yen (±1 US\$/BBL) per year ¹
Copper ore (US\$/MT) (US\$/lb)	7,826 [355]	±1.3 billion yen (±100 US\$/MT) per year ² ±2.8 billion yen (±10 US\$/lb) per year
Yen interest rate (%) TIBOR 3M	0.10	The impact of rising interest rates is largely offset by profits on transactions and investments. If interest rates rise sharply, however, profit and loss will be temporarily affected.
US dollar interest rate (%) LIBOR 3M	0.30	

- The impacts on MC from specific market fluctuations are shown in the table on the right. Commodity market risks are also reflected in metallurgic coal, affecting the profit and loss of Mitsubishi Development Pty Ltd (MDP), an MC subsidiary.
- With regard to stock price risk, MC holds marketable stocks with a market value of approximately 1.03 trillion yen, and bears stock price fluctuation risk accordingly. The above amount includes a valuation gain of approximately 270 billion yen, and there is a risk that this valuation gain could decrease depending on stock price movements.

¹ Taking into account effects on MC's performance from factors including differences in accounting periods of consolidated companies and the time lag before oil prices are reflected in LNG selling prices, the oil price shown is from six months earlier (October-September average for the whole year). However, as there are impacts not only from oil price fluctuations, but also from factors such as dividend payout ratios, foreign exchange rates and production/sales volumes, the profit impact is not determined by oil prices alone.

² However, as there are impacts not only from copper price fluctuations but also from factors such as ore grade, production/operational status and reinvestment plans, the profit impact is not determined by copper prices alone.

Response to Foreign Exchange Risk

- MC conducts foreign currency-denominated settlements in import/export and trade transactions with foreign countries, resulting in exposure to the risk of exchange rate fluctuations. In response, we employ hedging measures such as forward exchange contracts. However, there is no guarantee that MC can fully avoid foreign exchange risk.
- In addition, hedging is used as required for some foreign currency-denominated investments to companies that are included in the consolidation. However, there is a risk that other investments will make reductions in equity capital due to exchange differences on translating foreign companies.

Response to Interest Rate Risk

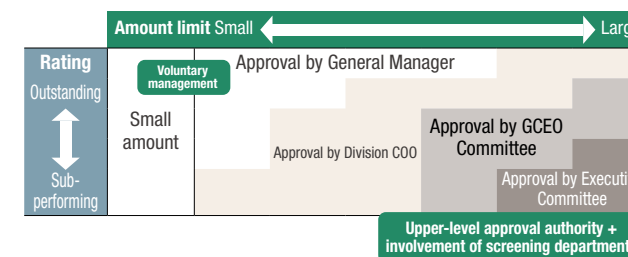
- A significant proportion of the interest-bearing liabilities held by MC corresponds to trade receivables and loans exposed to the effects of interest rate fluctuations. While the interest burden will increase if interest rates rise, income gained from these assets will also increase, offsetting the risk of interest rate fluctuations.
- However, if interest rates rise rapidly, the interest burden could increase beforehand, temporarily impairing MC's business performance.

2 Responding to Credit Risk

- MC sets upper limits on credit extended to third parties in order to manage the contract and credit risk involved in transaction credit, loans/guarantees and investments in unlisted companies. In addition, each business partner is assigned a business partner rating based on an in-house rating system.
- We designate business partners that have a significant impact on the Company as targets for priority management, and regularly monitor our guidelines on risk money (limit), returns, credit protection, etc.

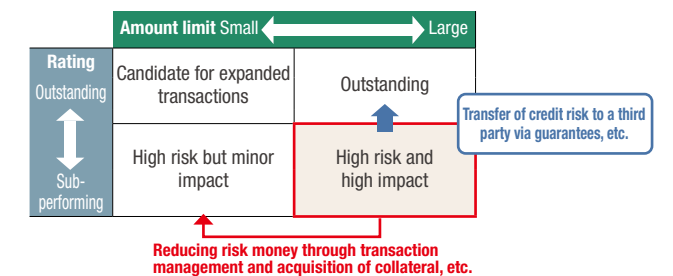
Individual Project Approval Authority

- Approval authority is categorized according to amount limits and ratings.



Approach to Credit Risk Management

- Estimating appropriate credit costs and promoting improvements in the quality of loans through a reserve system that uses ratings.

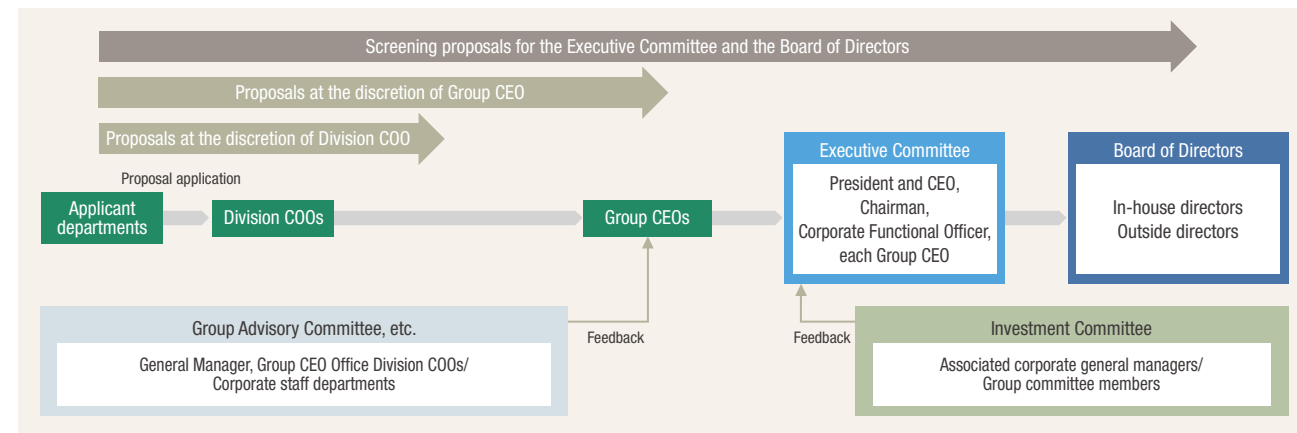


3 Responding to Business Investment Risk

To manage business investment risk properly, MC has established a screening process to review and make decisions on new, existing, re-profiling and each other type of projects.

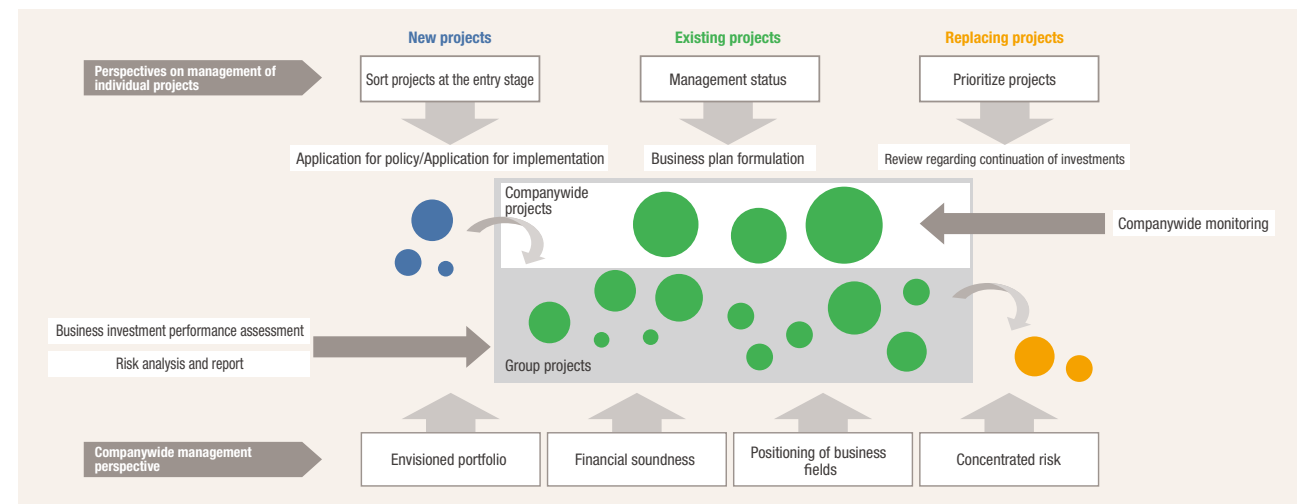
Management of Individual Projects	New projects	Application for policy/ Application for implementation	Narrow down new investment and finance proposals by comprehensively evaluating quantitative aspects in terms of the invested capital and its return determined on the basis of the characteristics of each business, in addition to evaluation of qualitative aspects, including consistency with the business strategy of each Business Group, as well as risk locations and countermeasures
	Existing projects	Business plan formulation	Once a year, review subsidiaries and affiliates' management issues and initiatives as well as MC's functions and business life cycle
	Replacement projects	Review regarding continuation of investments	Conduct qualitative and quantitative evaluations of new investment and finance proposals based on the priority order of Business Group strategies and promote a healthy business metabolism

Screening process for proposals



MC delegates authority according to the financial scale of each Business Group, while the Investment Committee discusses all new investment and finance proposals as well as sales and withdrawal proposals prior to deliberation by the Executive Committee and the Board of Directors. The Corporate Functional Officer (CFO) serves as the chairman of the Investment Committee. To make full use of the knowledge of each Business Group and the expert viewpoints of each corporate department, the Company selects representatives from among associated corporate general managers and within each Business Group to serve as committee members and comprehensively consider proposals, including non-financial aspects.

Companywide Management	Overall portfolio	Business investment performance assessment/ Risk analysis and report	Analysis results on the risk/return of business investments, companywide risks and risk tolerance are reported to the managers, and the risk report is utilized to ascertain the overall status of the businesses and determine policies for capital allocation.
	Companywide monitoring	Business plan formulation	Business plans for select subsidiaries and affiliates are reported to the Executive Committee. This information is used in processes that promote business growth and value creation, including the monitoring of business management effectiveness, and the discussion of medium- to long-term growth strategies.



4 Responding to Country Risk

MC has established a Regional Strategy Committee and a country risk countermeasure structure to properly assess and manage country risk. We also enact appropriate risk hedging measures, such as insuring projects.

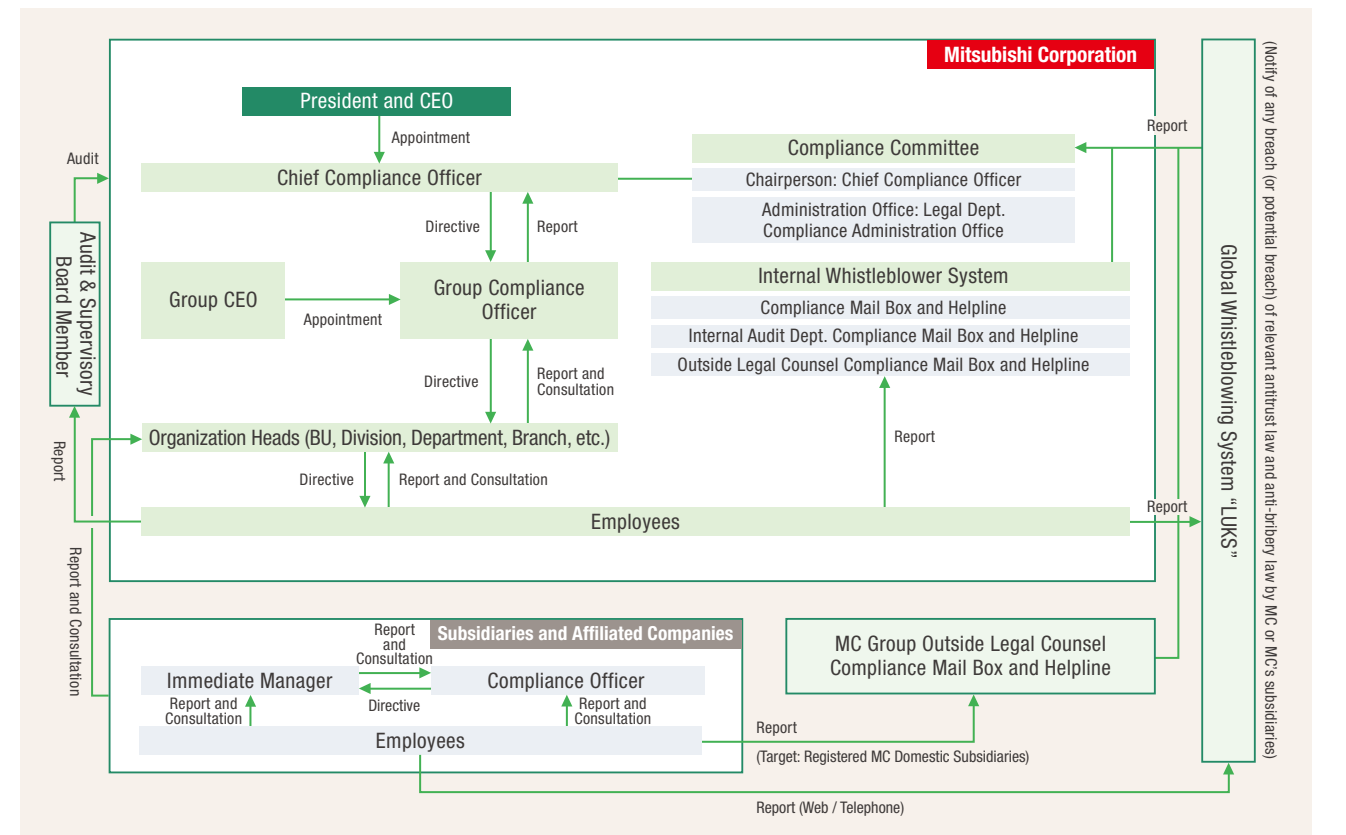
Regional Strategy Committee		Country Risk Countermeasure System
Chairperson	Corporate Functional Officer (Global Strategy)	
Members	General Manager, Audit & Supervisory Board Members Office; General Manager, Global Risk & Insurance Management Department; related corporate general managers; Business Group CEO Office general managers, etc.	
	<ul style="list-style-type: none"> Under the country risk countermeasure system, MC controls the accumulation of risk through methods such as setting categories and ceilings based on the credit ratings of each country. In addition to risk management through the country risk countermeasure system, MC closely monitors the impact of global economic trends and shifts in international affairs on the political and economic situation of each country in order to flexibly respond to risks based on the current international situation. 	

5 Responding to Compliance Risks

Based on internal rules and regulations related to compliance, MC has established a Compliance Framework and provides support for a Compliance Risk Management Framework on a consolidated basis. Compliance-related measures are enacted through discussions by the Compliance Committee, and these measures are reported to the Board of Directors annually in June.

MC has also set up various whistleblowing helplines and is working to detect and prevent compliance issues at an early stage.

Compliance Framework



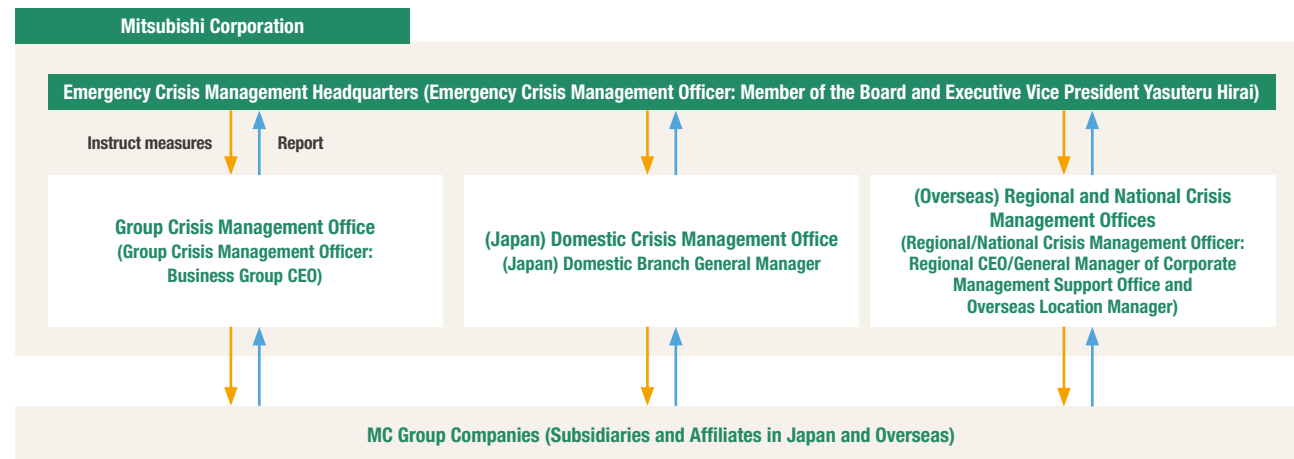
6 Responding to Risks from Natural Disasters and Other Types of Disasters

Crisis management on a consolidated basis/business continuity management (BCM)

Crisis Management Structure on a Consolidated Basis

MC has built up a structure for securing the lives and safety of employees and their families as we respond on a consolidated basis to all crises that impact our profit and business continuity (all-hazard

approach) by linking together each Business Group and Regional and National Crisis Management Offices under the management and supervision of the Emergency Crisis Management Officer.

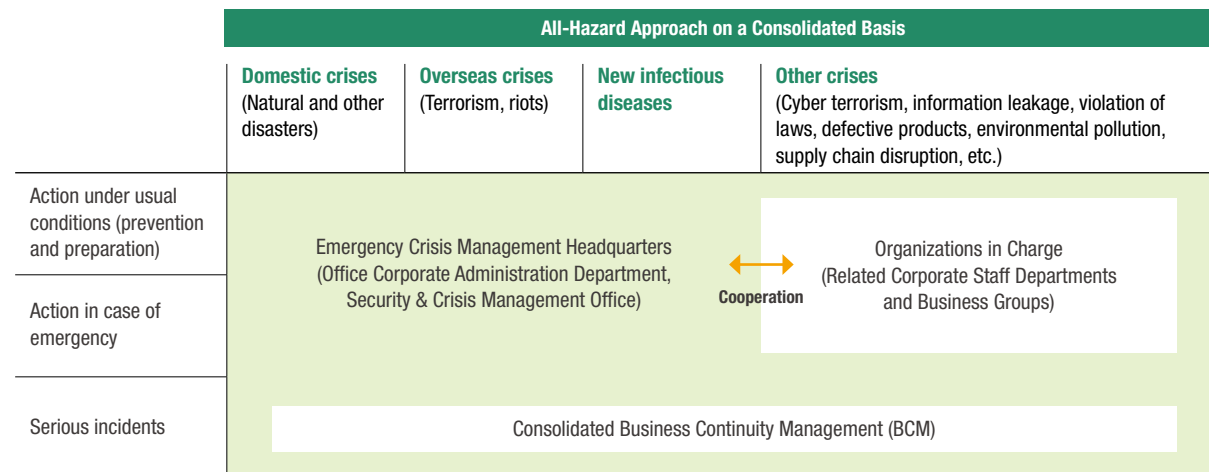


All-Hazard Approach

Based on the all-hazard approach, MC has built up an internal structure that anticipates all kinds of risks, such as major natural disasters, acts of terrorism, riots, new infectious diseases, supply chain disruptions, legal transgressions, and cyber incidents, etc. Under usual conditions, we build up and establish various crisis management measures and structures needed in the event that a crisis does occur, so that we can ensure the safety and ascertain the status of all concerned as part of our initial response, and then act promptly to

maintain and recover the infrastructure necessary for business continuity.

In particular, in the event of a serious incident impacting the lives and safety of our employees, as well as continuity of critical business operations, we will respond under the companywide direction of the Emergency Crisis Management Officer, while moving forward with our consolidated business continuity management (BCM) process established for major crises.



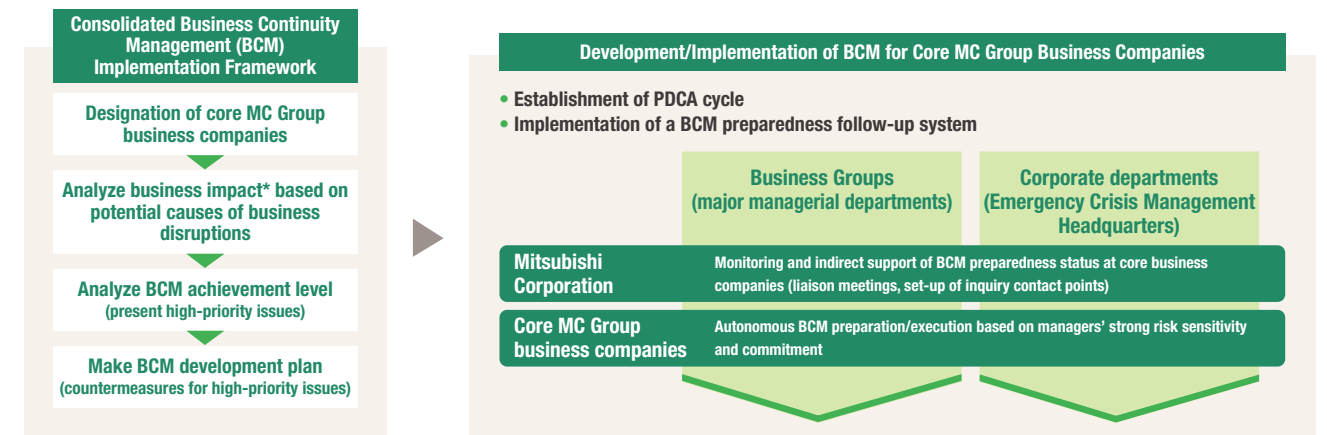
Note: While companywide action to deal with serious incidents shall be taken under the direction of the Emergency Crisis Management Officers, compliance-related incidents shall be dealt with under the direction of the Chief Compliance Officers.

Business Continuity Management (BCM) on a Consolidated Basis

In 2018, MC adopted “business continuity management (BCM)” for its core business companies (selected from among MC Group companies) to establish and strengthen our consolidated framework designed to equip us with the business continuity capabilities needed to respond appropriately to major crisis situations.

BCM refers to the comprehensive management and implementation of a continuous PDCA cycle, including the formulation of a first response and business continuity plan (BCP) based on risk/impact analysis of each crisis, the establishment of appropriate systems, and education/training. It takes into account the specific local conditions operational circumstances and business characteristics of operational companies.

BCM refers to the comprehensive management and



* Business impact analysis framework

We conduct analyses of the “cause incidents” that disrupt core operations and trigger “result incidents,” while taking into consideration the characteristics of operations at each company.

- Cause incidents: Natural disasters, infectious diseases, technology-related, external incidents, internal faults, legal issues, third-party related
- Result incidents: Human resources (death/unconfirmed safety, inability to report/commute to work), physical resources (damage of manufacturing/distribution or other facilities), supply chains (disruption of distribution channels, disruption of material/fuel supply), information (breakdown of IT systems or damage to electronic data, data manipulation/alteration, information leakage), reputation (product or service quality issues, environmental problems, administrative penalties), money (suspension of cash withdrawals, suspension of remittance or payments)

Specific Crisis Response Measures and Identifying Future Issues

What is the status of your COVID-19 response?

Governments around the world are implementing a variety of COVID-19 countermeasures, including vaccination programs. Despite these efforts, the disease remains a major threat to the lives and safety of our employees, as well as our business continuity, due to the emergence of new COVID-19 variants. From the early stages of the global COVID-19 pandemic, we have been promptly implementing necessary countermeasures with the aim of safeguarding employees from infection, preventing the spread of the virus and appropriately ensuring business continuity. The Emergency Crisis Management Headquarters, in which industrial physicians participate, is spearheading these endeavors. In Japan we have introduced teleworking, implemented thorough infection prevention measures at business sites, limited business travel and group dining and taken other actions in response to infection trends and requests from both national and local governments. At our overseas business sites, we have assessed the status of the pandemic and local medical services in each country and taken appropriate actions, including to promptly ensure the shift to teleworking, and the evacuation of employees and their families. We strive to appropriately secure business continuity by making decisions on when employees should return to each country based on careful assessments of the safety in each area.

How will MC respond to worsening security situations in overseas countries?

MC has built a global crisis management structure centered on the companywide Emergency Crisis Management Headquarters. In the event of an emergency, this structure will work with the relevant regional organizations and offices to monitor the situation and implement any measures necessary to verify and ensure the safety of all MC employees and their families as well as local staff, in cooperation with the Japanese government and its overseas diplomatic missions.

Under normal circumstances, we are constantly working with the relevant regional organizations and offices to prepare for emergencies on a consolidated basis by both monitoring the political and security situation and carrying out various actions, such as regular inspections of safety measures, BCP development and training exercises.

What do you see as your future priorities in terms of risk management and BCM?

MC faces an increasingly diverse range of risks in its business environment, including COVID-19, worsening security situations in overseas countries and cyber incidents. We must continually strengthen our ability to respond to all types of risks. We will further strengthen and enhance our business continuity preparedness at the consolidated level based on an all-hazard approach to apply the lessons learned and experience gained from each crisis.



Yasuteru Hirai
Emergency Crisis Management Officer
Member of the Board,
Executive Vice President

7 Responding to Climate Risk

Policy

Climate change is one of the key issues for management to address as MC strives to achieve sustainable growth. MC makes full use of its knowledge of the energy industry as well as its core strengths—collective capabilities, foresight and execution skills—to implement initiatives that transcend industries. MC will contribute toward the achievement of international goals such as those expressed through the SDGs and the Paris Agreement by working closely with each company in the MC Group and collaborating with a wide range of stakeholders, including governments, companies and industry associations.

Furthermore, as we recognize the importance of climate-related financial disclosures, we support the TCFD*, which has proposed disclosure guidelines, and we are working to enhance the disclosure of information in accordance with those guidelines.

*Task Force on Climate-related Financial Disclosures. This task force established by the Financial Stability Board (FSB) proposes items that companies should disclose to markets. The General Manager of MC's Corporate Sustainability & CSR Department is a member of this task force.



Governance

As an important management issue, the Executive Committee determines the basic policies and other important matters regarding climate change, and reports these to the Board of Directors. In addition to seeking advice and recommendations from the external experts of the Sustainability Advisory Committee, the Sustainability & CSR Committee discusses matters thoroughly before they are brought to the Executive Committee.

Discussions focus on policies regarding climate change, such as climate-related initiatives through business and policies for addressing the TCFD. Other important matters such as methods to evaluate climate risks and opportunities (including scenario analysis) and greenhouse gas reduction targets (including the status of reductions) are also discussed.

Initiatives to Date



Climate-Related Governance Framework

	Role	Frequency
Board of Directors	Supervises MC's climate-related actions and initiatives	Convenes approx. twice per year
Executive Committee	Makes decisions regarding MC's basic policy on climate change as well as important matters pertaining to climate change	Convenes approx. twice per year
Sustainability & CSR Committee (reports directly to the Executive Committee)	Deliberates on MC's basic policy on climate change and important matters therein, and reports findings to the Executive Committee	Convenes approx. twice per year
Sustainability Advisory Committee	Offers advice and recommendations regarding MC's basic policy on climate change and important matters therein	Convenes approx. twice per year
Officer in Charge	Corporate Functional Officer (Corporate Sustainability & CSR)	
Department in Charge	Corporate Sustainability & CSR Department	

Reference Please refer to pages 46–51 for information on MC's Sustainability Promotion Framework.

Risk Management

Key climate risks and opportunities are assessed through internal and external surveys which are then evaluated and identified by the Sustainability & CSR Committee in which all Business Group CEOs participate in discussions.

These risks and opportunities are managed under the above Governance Framework.



Strategies

Transition Risks and Opportunities

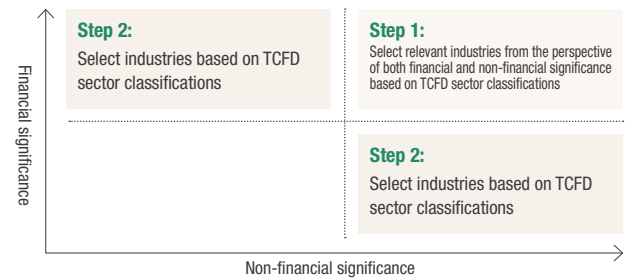
Process for Determining Projects to be Monitored

STEP 1 Selecting Climate Scenarios

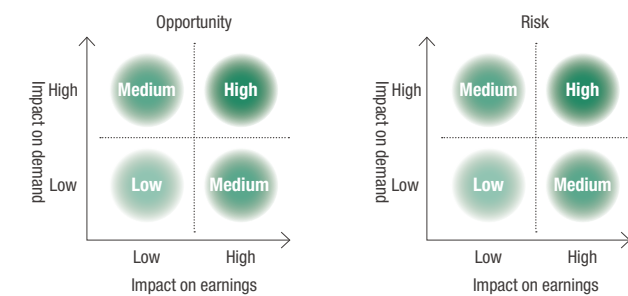
MC references 2°C climate scenarios set out by the International Energy Agency (IEA) and other organizations (World Energy Outlook Sustainable Development Scenario, Energy Technology Perspectives Sustainable Development Scenario, etc.).

MC is currently in consideration to conduct analysis using the 1.5°C scenario, based on the premise that decarbonization will proceed further than the 2°C scenario, and this will be considered going forward.

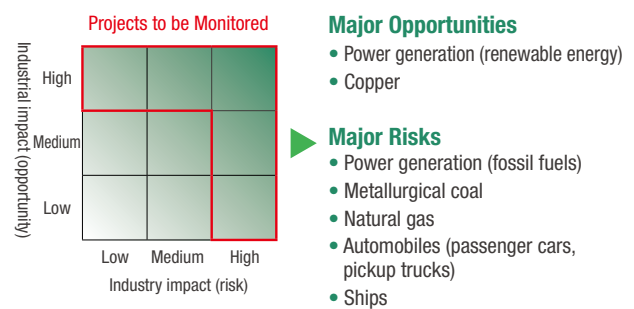
STEP 2 Identifying Businesses Most Affected by Climate Change



STEP 3 Identifying Risks and Opportunities



STEP 4 Determining Projects to be Monitored



Reference Please refer to the Sustainability Website for details: <https://mitsubishicorp.disclosure.site/en/themes/113#915>

Policies and Initiatives Based on Scenario Analysis

The policies and initiatives based on the results of scenario analyses for the projects to be monitored (high risk) as determined by the above process are as follows.

*Scenarios are based on past data and are not forecasts. Instead, they are virtual models based on possible outcomes with high levels of uncertainty. The scenarios and business environment written here represent MC's understanding of the main scenarios disclosed by international organizations such as the International Energy Agency (IEA), and do not represent MC's medium- to long-term outlook.

Power Generation (Fossil Fuels)

As the global trend toward carbon reduction/decarbonization becomes more pronounced, MC recognizes that the resulting decline in cost competitiveness due to restrictions and tighter regulations on fossil fuel-based power generation businesses could make it difficult to withdraw from existing projects in the future.

Accordingly, MC has disclosed specific policies in relation to coal-fired power generation businesses. In the gas-fired power generation business as well, by conducting a risk analysis based on the impacts of climate change, MC aims to achieve a 100% non-fossil power generation portfolio by 2050.

*Policy on Coal-Fired Power Generation Businesses (IPP and EPC)

Independent Power Producer (IPP) Business for Coal-Fired Power Generation

- As of April 2020, MC's coal-fired power generation capacity (for businesses in which MC serves the role of Independent Power Producer, or "IPP"), including projects under development and construction, is approximately 2.2 GW on an equity share basis (roughly 20% of MC's total capacity as of the same date).
- MC has adopted a policy to reduce its equity share to approximately one-third by 2030 (compared to 2020 levels) by not entering into any new coal-fired power generation businesses, with the Vung Ang II project in Vietnam being the last, and to exit all existing coal-fired power generation projects by 2050. Furthermore, we will work to reduce CO₂ emissions in our thermal power generation business by taking steps such as converting to alternative fuel sources. We will subsequently aim to achieve a 100% non-fossil power generation portfolio by 2050 by 1) decarbonizing our thermal power generation business by switching to zero-emission thermal power and 2) further expanding our renewable energy business.

Engineering, Procurement and Construction (EPC) Business for Coal-Fired Power Plants

- MC will not enter into any new EPC businesses for coal-fired power plants, with the Quang Trach 1 project in Vietnam being the last. However, MC will continue to provide after-sales services for installed plants in cases such as when MC has a contractual obligation with the relevant power generation company, or when it is requested to do so by the power generation company or equipment manufacturer.
- MC will continue additional construction work and equipment replacement to reduce the environmental impact of existing coal-fired power plants, while assessing the effectiveness of such measures, as an initiative linked to the transition to a low-carbon/decarbonized society.

Metallurgical Coal

MC recognizes its metallurgical coal business will be affected by a number of factors in the future, including the growing use of new steel production techniques with reduced greenhouse gas emissions, as well as the electric furnace method. Introduction of carbon pricing will also affect our metallurgical coal business. However, MC expects to maintain its advantage to a certain extent due to the increase in need for high-grade metallurgical coal against the backdrop of increased efficiency

in steelmaking using the blast furnace method. MC will continuously monitor and analyze issues including the progress of new technologies (new steelmaking methods, CCUS), electric furnaces and national policies, which could have an impact on metallurgical coal demand, and work to strengthen the competitiveness of its metallurgical coal assets. At the same time, MC will work to reduce greenhouse gas emissions throughout the entire metallurgical coal value chain.

Natural Gas

While global demand for natural gas is expected to start declining after 2030, demand in the Asia-Pacific region is predicted to increase significantly through to 2040. By carefully selecting highly cost-competitive projects, MC expects to maintain a competitive advantage in its natural gas business. As the transition to a low-carbon/decarbonized society continues, MC has positioned natural gas as a vital energy source and intends to expand its revenue base in this area by reinforcing the

foundations of its existing operations, while also developing demand in emerging markets, with a particular emphasis on Asia. At the same time, MC will continue to monitor international policy developments, such as the introduction of carbon taxes, which could be a factor that affects business profitability. MC will also continue to pay close attention to technological developments, such as CCUS, and work to implement and consider initiatives transitioning to carbon-neutral natural gas in various fields.

Automobiles (passenger cars, pickup trucks)

While MC anticipates modest growth in overall demand for automobiles, automobile ownership and running costs are also expected to rise as manufacturers come under increasing pressure from tax and regulation systems related to the environment. There is also likely to be an accelerating shift toward electric vehicles (EVs), however, the pace of that shift differs depending on the income level, infrastructure conditions and energy/industrial policies of each country. In the ASEAN region, which MC has positioned as a key market, the demand for automobile internal combustion engines is still high for the time being.

MC will continue to be deeply involved in that region at each stage of the value chain, including production, distribution, financing, and after-sales services, as well as work to encourage the adoption of EVs, while also closely monitoring trends in tax systems and policies in each country in which it operates. MC will also maintain the sustainability of its businesses by helping to address societal issues through its mobility service business, as well as by further strengthening its functions and community-based networks built up over many years.

Ships

The transition to next-generation energy sources, such as biofuels, hydrogen and ammonia, is expected to accelerate in response to the tightening of existing regulations and the introduction of new rules. However, because the full-scale global switch to new fuels and development of the necessary supply infrastructure will likely only begin to accelerate after 2030, the cost borne by MC for the

replacement of existing vessels is expected to be very limited. There is also limited risk to MC since the additional costs associated with the fuel required for operation is expected to remain incumbent on the shipper/operator. By developing and introducing advanced vessels, MC will make its business more sustainable and add value to the coastal shipping industry.

Reference Please refer to our Sustainability Website for more information about the scenario analyses, including the results of the analyses for the other projects to be monitored: <https://mitsubishicorp.disclosure.site/en/themes/113#915>

Incorporation into Business Strategy

The five businesses discussed above are seen as having high transition risks. MC takes these risks into consideration and reflects them in its business strategies.

Reference Please refer to the Sustainability Website for information about our low-carbon/decarbonization business: <https://mitsubishicorp.disclosure.site/en/themes/113#919>

Physical Risks

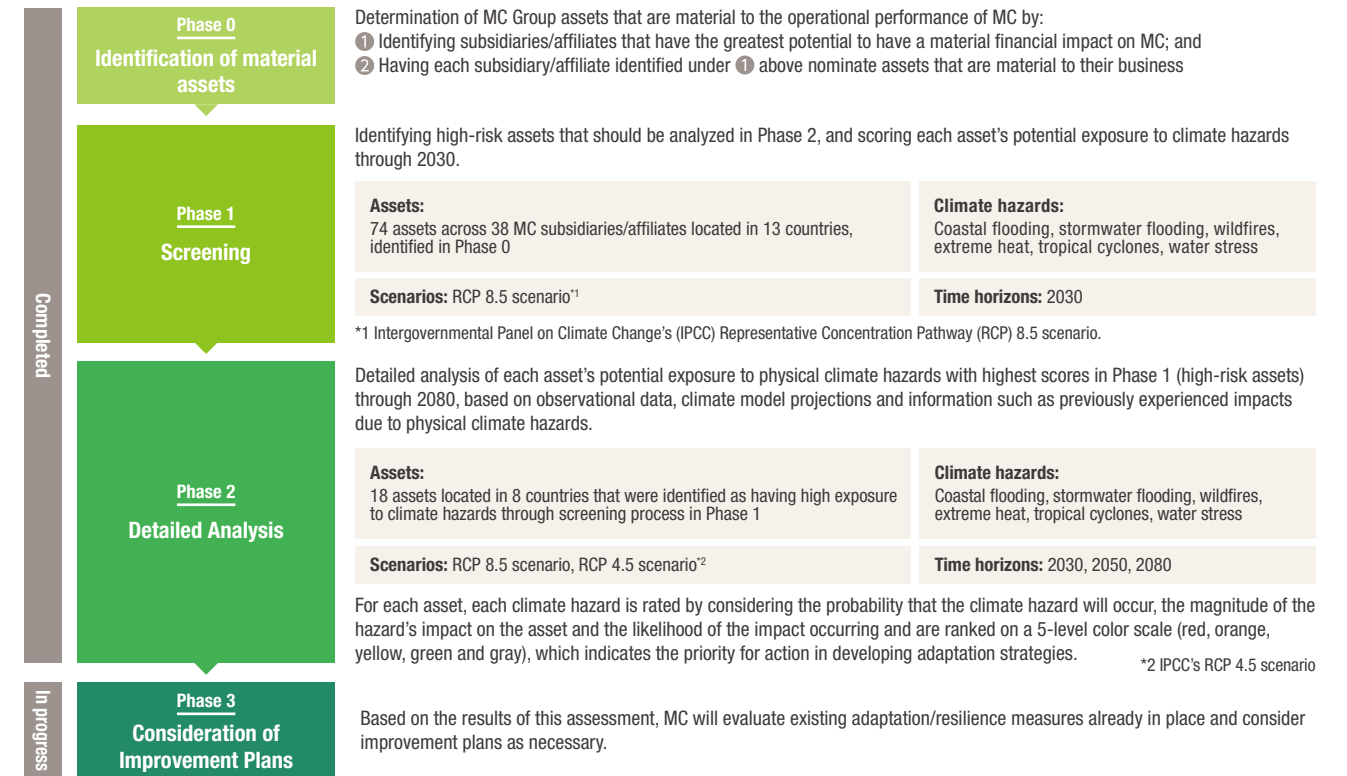
Physical climate risks (e.g., floods, droughts and water shortages, sea temperature and sea-level rises) could affect the operations of some of the MC Group's businesses. Countermeasures are being implemented at the business level, taking into account the characteristics of each business. Specifically, MC is taking the following actions for its metallurgical coal, copper and salmon farming businesses, which are considered to have particularly high exposure to physical climate risks among MC's businesses.

Selected businesses	Physical risks	Measures against physical risks
Metallurgical coal business	Storm surge and flooding	Factoring in sea-level rises due to climate change and cyclones, latest port infrastructure has been designed assuming a one in a thousand-year occurrence of high waves. For coal mines, water storage levels are monitored and balanced to meet water demand while having storage capacity to provide resistance to flooding. Further enhancement to provide resilience to flooding includes installation of flood levees and pipes between the mines, as well as additional excess water discharge infrastructure and installation of extensive dewatering pumps.
Copper business	Water shortages and droughts	MC is making efforts to reduce its dependency on freshwater intakes from rivers or groundwater supplies through measures such as investing in desalination plants and improving water reuse efficiency.
Salmon farming business	Rising sea temperatures	To manage the risk of rising sea temperatures, MC 1) monitors water temperature and quality data, 2) conducts operations in areas that are more resilient to rises in sea temperature, and 3) conducts research about measures to deal with problems associated with rising sea temperature, such as diseases.

In order to comprehensively understand the potential physical risks that climate change poses to the MC Group's business, MC has started an assessment based on the following process. MC will disclose the results of the assessment upon completion.

Process

MC has a large global portfolio of companies with diverse and widespread assets. To determine which of the MC Group's assets are potentially most exposed to the physical impacts of climate change, MC is undertaking the following systematic process:



Incorporation into Business Strategy

The above assessment will allow MC to identify assets that are most exposed to climate hazards and will enable MC to prioritize adaptation measures and incorporate them into business strategy.

Reference Please refer to the Sustainability Website for details on the assessment process: <https://mitsubishicorp.disclosure.site/en/themes/113#915>

Metrics and Targets

MC has set the following climate-related targets to capitalize on opportunities and mitigate risks on a consolidated basis.

<p>Aim to double renewable power generation capacity by the fiscal year ending March 2031 compared to the fiscal year ended March 2020.</p>	<p>Aim to reduce existing thermal power capacity and switch to zero-emission thermal power, targeting 100% non-fossil ratio in MC's power generation business by 2050</p>
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MC has set a target of reducing greenhouse gas emissions per unit of total assets*³ by 25% by 2030*⁴, however MC is currently considering a review of this goal in order to reinforce its low-carbon/decarbonization efforts.

*³ The total assets used for per unit calculations are different from the total assets reported in MC's financial reports.
 *⁴ Compared with levels in the fiscal year ended March 31, 2017. Consolidated greenhouse gas emissions (parent company plus subsidiaries).

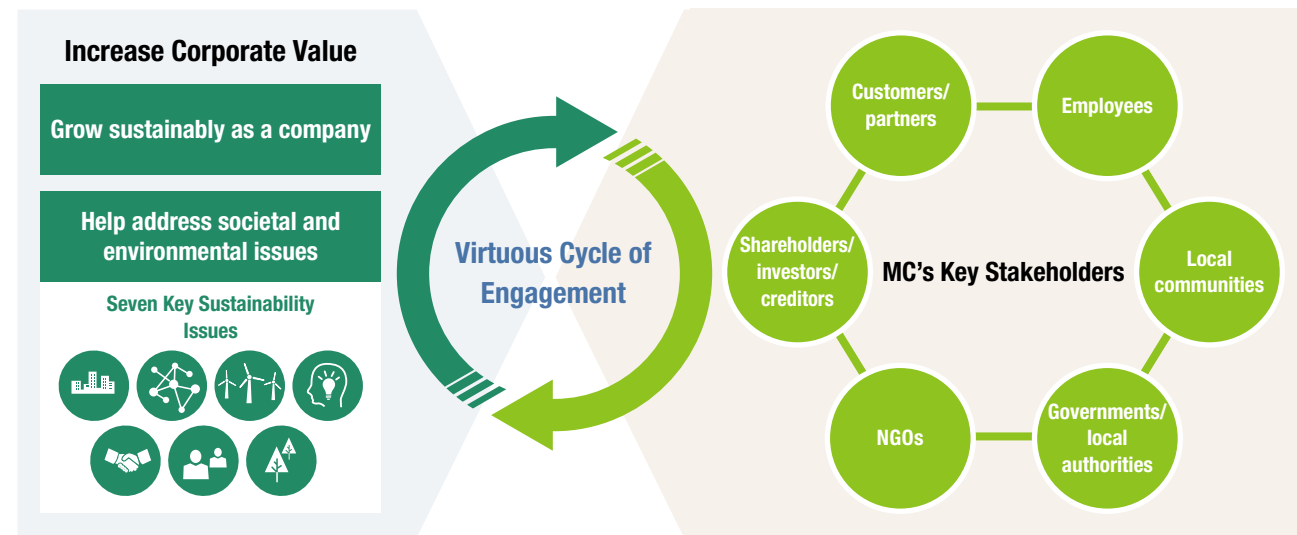
MC's response to CDP Climate Change can be viewed via this link <https://mitsubishicorp.disclosure.site/en/themes/134>

Stakeholder Engagement

Targeting Sustainable Growth Through Stakeholder Engagement

With the Three Corporate Principles as its core philosophy, MC has continued to grow together with society by addressing societal issues. The MC Group seeks to increase its corporate value in the medium to long term against a global backdrop of rising uncertainty and unpredictability, including geopolitical and economic shifts, changes in industrial landscapes driven by technological innovation, and evolving societal values. To this end, we believe it is vital to accurately grasp the demands and expectations of our diverse stakeholders through engagement and dialogue, and to reflect these in our Group management.

MC has established a system to reflect stakeholder opinions into company management by incorporating external perspectives into the Board of Directors and its advisory bodies (the Governance, Nomination & Compensation Committee and the International Advisory Committee) as well as the Sustainability Advisory Committee. With these and other initiatives to engage with its various stakeholders, MC aims to achieve sustainable, triple-value growth and to provide solutions to societal and environmental issues through its business activities.



Evaluation by Society

MC actively discloses information related to its efforts to generate sustainable corporate value to a variety of stakeholders worldwide. We emphasize environmental, social and governance (ESG) indices and the level of recognition from external stakeholders as indicators for measuring the results of these efforts.



*MC's inclusion in the MSCI Indices and use of MSCI logos, trademarks, service marks or index names does not constitute sponsorship, endorsement or promotion of MC by MSCI or its affiliates. The MSCI indexes are the exclusive property of MSCI. MSCI, and the names and logos of MSCI's indexes, are trademarks or service marks of MSCI or its affiliates.

Engaging with the Global Community Through External Organizations

MC is a signatory of the UN Global Compact and is a member of organizations such as the World Business Council for Sustainable Development (WBCSD), the TCFD Consortium, the World Economic Forum and the Japan Business Federation.



Customers and Partners

MC will contribute to the development of societies and economies by providing a stable supply of products and services that meet the needs of customers and business partners across a wide range of business areas, from upstream raw material procurement to downstream retail, and by working with its customers and business partners to develop various businesses that it could not have realized on its own. Moreover, as a company that handles a diverse range of products and services worldwide, MC is working to achieve a sustainable supply chain as a key issue*.

Examples of Engagement

- Producing websites and corporate brochures in multiple languages
- Receiving and responding to opinions and questions
- Supply chain surveys and collaboration with external parties regarding the supply chain (responding to issues with Cermaq Group AS, Lawson, Inc., Princes Limited, Olam International Limited and MC FOODS Ltd.)

*See pages 50-51 for more information on MC's supply chain initiatives.

Shareholders, Investors and Creditors

MC strives to gain understanding and support of its business and management strategy through the timely and appropriate disclosure of information and enhancement of disclosure materials, as well as through briefings and individual meetings. At the same time, MC works to maximize corporate value by reflecting in its management the opinions and demands of shareholders and investors obtained through dialogue with them.

Examples of Engagement

- Meetings with institutional investors and analysts: approx. 20 times (CEO/ CFO); approx. 400 times (IR); approx. 30 times (ESG)
- Communication with shareholders at the Ordinary General Meeting of Shareholders
- Publication of business reports, integrated reports, sustainability reports, investors' notes
- Quarterly financial results briefings: 4 times annually
- Business briefing sessions: 2 times (the fiscal year ended March 31, 2021)
- Online seminars with individual investors: 3 times (the fiscal year ended March 31, 2021)

NGOs

We recognize NGOs as key stakeholders that function as representatives for the planet and its citizens, and we seriously consider the opinions and requests raised through our robust communication on a day-to-day basis and use them to improve our initiatives. Moreover, we are promoting collaborations with NGOs to address environmental and societal issues.

Examples of Engagement

- Meetings with NGOs: Japan (2); Europe (48); the Americas (20) (e.g. about coal-fired power generation business and climate initiatives)
- CSR activities related to biodiversity (tropical forest regeneration, global coral reef conservation); fisheries improvement and wildlife management initiatives in the Amazon river basin through foundations set up by MC in Europe and the Americas; supporting NGOs working toward sustainable cacao farming in Côte d'Ivoire.
- Receiving the advice and recommendations of NGO representatives on MC's Sustainability Advisory Committee into business initiatives

Employees

In response to the further diversification and globalization of its businesses, MC is working to develop human resources and support their success on a global, consolidated basis. This is to establish vibrant workplaces where MC's diverse group of employees, regardless of gender, nationality or other attributes, are able to demonstrate their unique abilities to the fullest.

Examples of Engagement

- Human resource development* (enhanced talent management, group-wide training initiatives, etc.)
- Health and productivity management, diversity management* (including supporting health with internal medical clinics and career support for female employees)
- Conducting regular Employee Awareness Surveys (total of 32,000 survey responses on a global, consolidated basis for the fiscal year ended March 31, 2020)
- Dialogue with the MC Staff Union, and information dissemination through MC's intranet and internal magazine

*See pages 22-25 for human resource development initiatives, and pages 64-67 for health and productivity management and diversity management initiatives.

Local Communities

MC believes in the importance of "Growing Together with Local Communities" and "Addressing the Needs of Society through Business Innovation," and recognizes the value of building relationships with communities for the success of its businesses. Furthermore, by growing together with communities through job creation, promoting community development and procuring raw materials from local communities, MC also strives to minimize negative impacts on local communities, including by respecting the rights of indigenous peoples. Particularly for large-scale projects where the understanding and cooperation of local communities is crucial, we hold public hearings and dialogue with local residents as needed. Growing together with local communities is equally as important as advancing our businesses and generating financial return. This represents the true spirit of MC, which seeks to simultaneously generate economic, environmental and societal value.

Examples of Engagement

- Implementing a local purchasing program for mining operations to procure certain goods and services from local small- and medium-sized enterprises
- Implementing various initiatives in our silica sand operations such as prioritizing employment of indigenous peoples, subsidizing the cost of work training, providing scholarships and supporting local infrastructure development
- Support activities through foundations and funds

Reference <https://mitsubishicorp.disclosure.site/en/themes/125>

Governments and Local Authorities

To achieve improvements and provide solutions to societal issues through our global business operations, we engage in collaboration, joint initiatives and dialogue with public sector bodies through our involvement in business associations, public-private initiatives and other forums, with the aim of contributing to societal development.

Examples of Engagement

- Business association activities: Dialogues with public sector bodies through the Japan Business Federation (Keidanren), the Japan Chamber of Commerce and Industry, the Tokyo Chamber of Commerce and Industry, the Japan Association of Corporate Executives, the Japan Foreign Trade Council, Inc., etc.
- Public-private initiatives with public institutions:
 - Collaborations with and utilization of Japanese government ministries (Ministry of Foreign Affairs, Ministry of Economy, Trade and Industry, Ministry of Land, Infrastructure, Transport and Tourism, etc.), the Japan International Cooperation Agency and Multilateral Development Banks (workshops and seminars hosted by the Ministry of Economy, Trade and Industry and the Ministry of the Environment covering utilization of TCFD guidelines, the greater adoption of renewable energy and other topics; Fuel Ammonia Council, etc.)
 - Discussions held at the Ministerial Meeting on Strategy relating Infrastructure Export and Economic Cooperation led by the Japanese government (51 times since its launch in 2013)

Stakeholder Engagement: Employees

Initiatives to Support the Active Role of Diverse Human Resources

People are MC's greatest asset. To continue creating sustainable corporate value, the MC Group must adapt to the growing diversification and globalization of its business activities by ensuring that its diverse group of employees, regardless of age, gender, nationality or other attributes, are able to demonstrate their unique abilities to the fullest extent possible.

The importance that we place on ensuring the mental and physical health of our employees, as well as on creating environments that embrace diversity, is reflected in our health promotion and diversity management initiatives.

Health and Productivity Management

MC recognizes that the success of each employee depends on their physical and mental wellbeing. Therefore, we consider the health of our employees to be a key management priority that will lead to further value creation and sustainable growth.

Our health promotion measures have received external recognition, and we have been included in the "Certified Health & Productivity Management Outstanding Organizations Recognition Program (White 500)," a list of 500 companies recognized for excellence in their health and productivity initiatives every year since 2018.

Going forward, MC will strive to achieve higher productivity and continue creating value by not only working to prevent health issues, but also by providing health support to help employees lead active lives and reach their full potential.

Specific Initiatives

Extensive health management and support via in-house medical clinics
Health management support for employees and their families during overseas appointments
Visualization and improvement of lifestyle habits using a health app
Improvement of health awareness and motivation through seminars
Mental health measures
Support for employees balancing work and medical treatment, and for those returning to work after leave due to health issues
Initiatives that allow each organization and individual to pursue and realize autonomous and flexible work styles
Countermeasures for infectious diseases

Message from the Head Occupational Physician

Recognizing that working overseas for extended periods can have an impact on one's health due to differences in language, culture, medical systems and other environmental factors, the MC Head Office medical clinic is equipped to handle health-related inquiries from employees and their family members should they feel unwell while overseas. We also conduct a survey to monitor the health and working environments of employees on overseas appointments. Additional support is provided by the Global Human Resources Department, the Mental Health Support Desk and in-house medical clinics.

In addition, our physicians and nutritionists encourage lifestyle changes by providing health and nutritional guidance based on their knowledge of diverse working environments, lifestyle trends and employee health data. In 2020, we introduced a health app that helps users to visualize and improve their lifestyle habits. Over 90% of the people who used the app reported an improvement in their understanding of good lifestyle habits, and 60% said that their health awareness had improved. There has also been an overall improvement in the BMIs of those examined at the in-house medical clinics.

Going forward, MC will continue to enhance its medium- to long-term health support measures, such as by providing health guidance to younger employees and working to raise the awareness of healthy employees who have normal checkup results on how to structure their lifestyles to maintain their health.



Seigo Ito
Clinic Director

Work Styles and Health Management in Environments with COVID-19 Prevention Measures

Having established infection prevention measures, MC established a hybrid working style that combines teleworking and on-site work according to the characteristics of each job, business environment and industry, with the aim of maximizing productivity. Environmental changes often lead to physical and mental stress, and so our health management support includes consultation sessions and seminars on wellness, targeting both individuals as well as those who are managing subordinates.

In addition to carrying out yearly stress checks, we have established an early detection system for health fluctuations based on regular monitoring of the status of employees undergoing on-site professional training.

Diversity Management

We believe that the significance of diversity management at the MC Group lies in building a strong organization with the flexibility to adapt to changing business environments.

In sharing the spirit of its guiding philosophy, the Three Corporate Principles, the MC Group aims to:

- Recruit and apply its broad professional expertise without discrimination
- Benefit from workforce diversity by embracing and applying different perspectives and ideas to its management practices, business creations and regional developments.
- Improve organizational performance by ensuring an inclusive professional work environment that maximizes the abilities of a diverse workforce.



Initiatives to Support Women's Careers

For many years we have supported the development and continuation of women's careers by enhancing and expanding systems to support those who need to balance work responsibilities with family obligations, so that they can continue to pursue careers with MC. Going forward, we will further enhance our career support systems to create work environments where female employees can independently build their careers and play a more active role in the workplace.

Phase 2: Initiatives Based on Supporting Women's Careers (Plan Period: April 1, 2021 to March 31, 2026)

In Phase 2, we will implement measures focusing on the following two goals based on a review of progress and the effectiveness of actions in Phase 1.

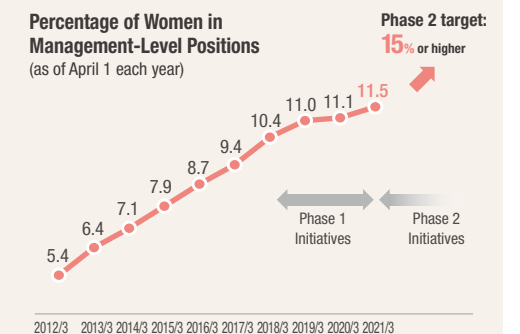
Target 1 Encourage more high-level appointments of female employees and raise the percentage of women in management-level positions above 15%.

Background and Goals

- By expanding its systems to promote a healthy work-life balance and taking special career-support measures for its female professionals, MC has boosted the percentage of women in management-level positions.
- MC plans to further accelerate its appointment of women to executive positions

Examples of Initiatives

- Expansion of the mentorship program for working women.
- Instructing the Women's Career Managers to analyze and address any separate issues that may exist companywide and within their respective departments.
- Career support through training programs and networking opportunities that are specifically designed for working women.



Target 2 Ensure that all eligible male employees take their full paternity leave.

Background and Goals

- Through Phase 1 initiatives, more working fathers at MC have been taking paternity leave and doing so for longer periods.
- MC will raise awareness of paternity leave and make it easier for male employees with newborns to use it.

Examples of Initiatives

- Establishment of a consultation desk for male employees.
- Promote the idea that male employees should in principle take paternity leave when their spouses give birth.
- Encourage male employees to use paternity leave through roundtable discussions with those who already have, internal promotion activities, and the provision of guidance to individuals and their supervisors.

MC Enhancing Its Organizational Potential by Promoting Diversity Management

We interviewed two female executives who reflected back on their careers to share their thoughts on management and advice for junior colleagues.

Learning and Maturing Through Business

Egawa Throughout my time at MC, I have been involved in launching LNG projects, and more than half of my career has been spent overseas, including in North America and Southeast Asia, where cultures and personal values differ from those I had experienced in Japan. In some of these regions, progress toward social advancement for women has been limited due to cultural traditions, and at times I was left guessing what matters I should bring to the attention of my male managers. By repeating a process of trial and error to communicate thoroughly and establish relationships that allow for frank, one-to-one discussions, I believe I built up the ability to get my point across when breakthroughs are necessary at work.

Naka I have been involved in power plant asset management for many years. Looking back, what I most often recall are the difficulties as well as the joys I experienced when I was seconded to another company. Since this company was in the start-up phase, not only was I carrying out duties as a line manager, but I was also actively involved in setting up corporate functions such as general administration and accounting. Out of these, I found recruiting staff to be especially difficult. First of all, we needed to develop HR systems, and after recruiting staff, we faced conflicts between our diverse group of employees, among other HR-related issues. It was difficult to monitor the overall situation while keeping the organization running smoothly, but it was a rewarding experience unique to a management role. New business proposals also presented some difficulties, and although I was almost at a loss after a series of failed proposals, I continued meeting with our partner companies to identify their concerns and refined the plans with my team members and power plant staff. When we finally came to an agreement on a new business that reduced both costs as well as environmental impacts, I was delighted with the team effort. This experience also changed my own personal values, and ever since, I have felt a responsibility to provide new value to our customers at hand.

Egawa A lot can be learned from creating a team that works toward a single goal. Joining a bidding team for an LNG project in Canada definitely left an impression on me. I suddenly needed to travel to Canada in the middle of winter, where I would endure four months of harsh conditions, including -30°C temperatures. While there, after negotiating a deal with a bidding team that included lawyers and experts, we put together a number of contracts with the help of the Head Office and managed to win the tender. While not limited to this job, I was lucky enough to have a manager who shared his thoughts frankly even when handling difficult situations such as responding to issues at the company where we were seconded or the often-intimidating sales environment. Being exposed to this type of work ethic throughout my career has been an invaluable asset for me.



Note: The members removed their face masks only when this picture was taken.

Tetsuko Egawa

General Manager, Brunei Natural Gas Dept., Natural Gas Group

Yuko Naka

General Manager, Energy Service DX Office, Power Solution Group (Concurrently) Power & Retail DX Task Force

Approaches to Organizational Leadership

Naka The Power & Retail DX Task Force is also working on initiatives in new areas, such as data matching. Our project teams include employees from other Business Groups and organizations, so I try to be flexible when managing our organization. In addition to providing guidance to the teams, I strive to manage their efforts while respecting the independence and characteristics of each member. Mutual understanding is essential when working with new people, so it is important to take the time to carefully listen to team members.

Egawa Until March 2021, I was seconded to a company as a line manager, but aligning with the structure and startup nature of the company, I took on the role of “player-coach,” playing an active role while also coaching the younger employees. Since April, I have been appointed as the General Manager of the Brunei Natural Gas Department, so I modified my management style. Essentially, I respect practical boundaries with the two team leaders and get involved when decisions are necessary. I am now in charge of an LNG project that has been supplying customers in Japan for over 50 years. Having been assigned to this department as the project reaches its final stage, I believe I have an important role to play in terms of determining future strategies on the basis of economic viability as well as societal and environmental value.

Naka Through the mentorship program*, I was able to discuss my concerns about management-related issues with an executive who had experienced similar problems, and I was relieved to know this was a path everyone goes down. I benefited from the valuable advice my mentor provided based on personal experiences.

Egawa Indeed. The mentorship program was an excellent opportunity to obtain advice from different perspectives. My mentor also helped me to build up confidence by encouraging me to challenge myself, and I believe we both learned something from the experience. For my mentor, the lesson was a better understanding of women’s mindsets when they are in management positions and how they approach their work.

*A program in which executives from other departments act as mentors and engage in regular dialogue to support career development for women.

Advice for Junior Employees

Egawa My impression is that the working environment at MC has changed significantly compared to when I first joined the Company. The necessary systems are now in place to provide more options for women who want to advance their careers while maintaining a balance with childcare needs. With a little support, women can achieve career growth by seizing the opportunities provided by MC. Because of this, I will do my best to encourage my subordinates and serve as a role model for them. The ability to make good decisions comes from accumulating diverse experiences, and once you acquire this skill, you are ready to take on more responsibility. My message to my junior colleagues is that you can make decisions and offer opinions based on your experiences and career, irrespective of gender.

Naka There are circumstances where not only female employees, but also male employees have to deal with various situations such as caring for children and other family members when their spouses also work. I encourage my male colleagues to take paternity leave, and I even talk about my own family situation at times. Moving forward, I believe it is important for every employee to adopt a mindset of contributing to MC while respecting each other’s individual circumstances. To achieve a balance between work and childcare, we need to recognize the value of real-time communication with our colleagues. Furthermore, managers can achieve work-life balance by overseeing the key aspects of their work while delegating other tasks to colleagues and subordinates. These are all connected, and I believe they are beneficial for MC and its employees. Everyone should take on challenges with a positive attitude, and not shy away from being seconded or assigned to management positions.



The Chairman of the Board plans and leads various initiatives to help realize more effective corporate governance that contributes to MC's sustained growth and the enhancement of medium- to long-term corporate value

Ken Kobayashi
Chairman of the Board



Board of Directors and Board of Directors Advisory Bodies

Board of Directors

The Board of Directors is responsible for making decisions concerning important management issues and overseeing business execution. In-house Directors utilize their rich experience of working within MC and Outside Directors utilize their practical, objective, and professional perspectives to ensure appropriate decision-making and management oversight.

Governance, Nomination & Compensation Committee July Oct. Dec. Jan. Mar.

The committee meets at least three times a year and a majority of its members are Outside Directors and Outside Audit & Supervisory Board Members. It deliberates on matters related to governance, nomination and compensation (▶ P. 76).



- Meetings of the Board of Directors
- Meetings of Independent Outside Directors and Independent Outside Audit & Supervisory Board Members
- Meetings of the Governance, Nomination & Compensation Committee

Record of Meetings Held in the Fiscal Year Ended March 31, 2021



2020

Support for Outside Directors and Outside Audit & Supervisory Board Members

Briefing Sessions Before Board of Directors' Meetings

Prior to each Board of Directors' meeting, opportunities are created for the management executives of the Corporate Staff Section and Business Groups to provide explanatory summaries of the agenda items for which they are responsible to Outside Directors and Outside Audit & Supervisory Board Members in order to facilitate substantive deliberations at the meetings. The sessions are also utilized to appropriately share timely information that helps enhance deliberations. A total of 32 hours of briefing were held in the fiscal year ended March 31, 2021.

Meetings of Independent Outside Directors and Independent Outside Audit & Supervisory Board Members May Sep. Nov. Feb.

Meetings are held at least once per quarter to provide a forum for free discussion among Outside Directors and Outside Audit & Supervisory Board Members on a wide range of themes (▶ P. 81).



Note: The members removed their face masks only when this picture was taken, and ensured proper distance between their seats during the meeting.

President's Performance Evaluation Committee May

A subcommittee of the Governance, Nomination & Compensation Committee (▶ P. 76).

International Advisory Committee

An advisory body to the Board of Directors made up of overseas experts (▶ P. 77).



Note: Picture was taken at the latest in-person committee meeting. Advice and recommendations of committee members were obtained remotely during fiscal year ended March 31, 2021.

Opportunities to Provide Information and Engage in Dialogue

2021

Orientation upon Assumption of Office

To deepen understanding of MC, all Business Groups and the Corporate Staff Section conduct orientation sessions for newly appointed Outside Directors and Outside Audit & Supervisory Board Members when they assume office (a total of 29 sessions during the fiscal year ended March 31, 2021).

Dialogues and Interactions with Management Executives

Opportunities are created to engage in dialogue and interact with current management executives and next-term management executive candidates.

Dialogues with Mid-Level and Junior Employees

Opportunities are provided to gather information from the front lines via dialogues with mid-level and junior employees.

Dialogues and Site Visits to Business Subsidiaries and Affiliates

For further understanding of the MC Group's wide range of businesses, every year Outside Directors and Outside Audit & Supervisory Board Members participate in site visits to business subsidiaries and affiliates sites, and hold dialogues with the management of business subsidiaries and affiliates.

In August 2019, site visits were made to the Montney shale gas production and development site in Canada and to the LNG Canada project* development site. Through meetings with the local state government, city mayors and tribal leaders, Outside Directors and Outside Audit & Supervisory Board Members confirmed the state of initiatives aimed at simultaneously generating economic, societal and environmental value while taking into account local stakeholders and the natural environment. They also visited a business development site where the Silicon Valley Branch of Mitsubishi Corporation (Americas) operates with a partner company.

In March 2021, discussion was held with management executives at Mitsubishi Shokuhin Co., Ltd., and opinions were exchanged about the business environment and DX initiatives in the food distribution business.

* A joint venture business owned by five companies: MC, Royal Dutch Shell plc, and state-operated energy enterprises from Malaysia, China, and South Korea. The business intends to export and sell LNG to East Asia countries, including Japan.



LNG Canada project development site (August 2019)

Visits to Business Subsidiaries and Affiliates (Past Three Fiscal Years)

March 2021	Dialogue with management executives at Mitsubishi Shokuhin Co., Ltd.
August 2019	Montney shale gas production and development site and LNG Canada project development site (Canada)
August 2018	Cermaq Group AS (Norway)/Offshore wind farm facility (North Sea)
April 2018	Large mixed-use redevelopment project / The Mandalay International Airport (Myanmar)

Evaluation of the Effectiveness of the Board of Directors

In the fiscal year ended March 31, 2021, following deliberations by the Governance, Nomination & Compensation Committee in October*, Independent Outside Director Mr. Tatsuoka and Audit & Supervisory Board Member Ms. Sato led an evaluation of the effectiveness of the Board of Directors, formulating questions and conducting interviews, and then analyzing and evaluating the responses. This year, their multifaceted analysis included a survey of Business Group CEOs.

* After thoroughly reviewing the fairness of the evaluation process, including the necessity of third-party evaluation, it was determined that a self-evaluation process led by Outside Board members is the most effective, so the same format as in the previous fiscal year was used for this fiscal year. In addition to Independent Outside Board members leading the evaluation, the objective advice from external consultants was sought in (i) formulating the questionnaires, (ii) gathering the results and (iii) drafting a disclosure proposal, with the aim of ensuring objectiveness and neutrality of the process.

Specific Process



Questionnaire The questionnaire covered the size and composition, operations, and agenda items of the Board of Directors; the support system for Outside Board members; self-evaluation of individual involvement; the composition and operation of the Governance, Nomination & Compensation Committee; the operation of meetings of Independent Outside Directors and Independent Outside Audit & Supervisory Board Members; engagement with shareholders and investors; and medium- to long-term issues that pertain to corporate governance.

	Issue in the Fiscal Year Ended March 31, 2021	Initiatives in the Fiscal Year Ended March 31, 2021	Evaluation	Issues and Policy Going Forward
Size/composition		Reduced the number of In-house Directors by two (Outside Directors now make up 45% of the Board of Directors)	▶ The current size and composition of the Board of Directors are appropriate	Continue to consider the necessity of changes in light of changes in the internal and external environment
Agenda items	Deepening the deliberations by the Board of Directors to further enhance monitoring function	Enhanced deliberations of MC's vision (key items of the Midterm Corporate Strategy, companywide initiatives, etc.) as well as structures supporting MC's vision (financial and non-financial risk management, regional strategy, domestic development, etc.)	▶ Enhancing the deliberations of companywide management has increased the effectiveness of the Board of Directors	Further enhance deliberations of items that are important on a companywide basis (business strategy oriented toward a low-carbon society, the business portfolio, etc.). Review the current Midterm Corporate Strategy and the process for formulating the next strategy
	Further enhancing the management of major business subsidiaries and affiliates	Enhanced deliberations of investment management systems and investment efficiency in each segment. The Board of Directors also followed up on individual new investments (Eneco Groep N.V. and HERE International B.V.) made in the previous year	▶ Sufficient analysis and reporting are being carried out to confirm the status of investment management systems, which is an important issue for MC given the large number of its subsidiaries and affiliates	In addition to the issues at the left, enhance the monitoring efficacy of investment management systems, including those by which MC confirms the status of initiatives at individual companies
Succession planning		Governance, Nomination & Compensation Committee reviewed the requirements for the President and CEO on an ongoing basis and discussed the specifics of the process for selecting the next president. Increased contacts between the Outside Directors and Outside Audit & Supervisory Board Members and the management executives to improve information provision	▶ The Governance, Nomination & Compensation Committee conducted sufficient deliberation on succession planning, and dialogue with successor candidates has been fruitful	Confirm specific processes, including those for continuing appropriate information provision to the Governance, Nomination & Compensation Committee members
Support system	Optimizing information provided to Outside Directors and Outside Audit & Supervisory Board Members	Further enhanced explanations of each Business Group's strategies. Held dialogues with the management of major business subsidiaries and affiliates	▶ The requests of Outside Directors and Outside Audit & Supervisory Board Members are receiving due attention	Continue timely and appropriate information provision to contribute to the effectiveness of the deliberations of the Board of Directors

Governance Reform at MC

–Building a More Effective Board of Directors–

Based on inputs including the results of the annual evaluation of the effectiveness of the Board of Directors, the Company's In-house and Outside Directors and Audit & Supervisory Board Members worked together to have active discussions through the Board of Directors and Governance, Nomination & Compensation Committee to further improve monitoring functions for the Board of Directors.

Review of the rules and operations of the Board of Directors

Fiscal year ended March 31, 2018
Deliberations

The following directions were confirmed through evaluation of the effectiveness of the Board of Directors and by the Governance, Nomination & Compensation Committee.

- Narrowing of investment and finance proposals; focus by the Board of Directors on deliberating companywide strategy and key projects
- Enhancement of monitoring functions for Corporate Staff Section and Business Groups management and for business subsidiaries and affiliates

Fiscal year ended March 31, 2019
Execution

1. Revision of rules for the Board of Directors

Monetary threshold standards for investment and finance proposals were doubled in principle, decision-making was further delegated to the executive side, and focus was placed on deliberations on management strategy and key projects.

2. Monitoring of business subsidiaries and affiliates

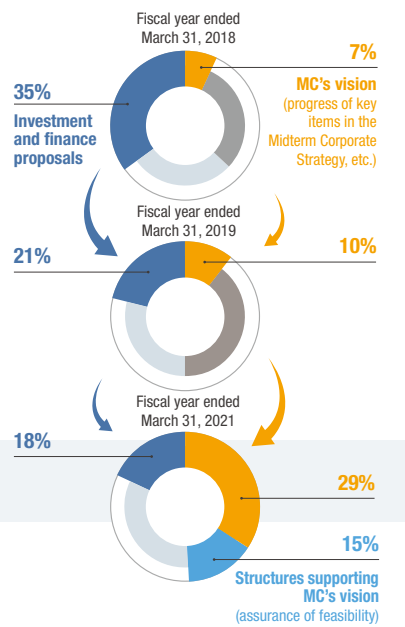
In line with the deepening of consolidated management, deliberations on strategy and governance of major business subsidiaries and affiliates of each Business Group were expanded.

3. Enhancement of briefing sessions before Board of Directors' meetings

Prior to Board of Directors' meetings, executives of the Corporate Staff Section and Business Groups hold briefing sessions for Outside Directors and Outside Audit & Supervisory Board Members to carefully explain strategic positioning and key points of projects, for an average of 3 hours each time. (Annual total hours for briefings increased from 5.5 hours in the fiscal year ended March 31, 2018 to 27 hours in the fiscal year ended March 31, 2019.) This has led to further enhancement of deliberations on the Board of Directors' meetings.

Changes in the ratios of agenda items at Board of Directors' meetings

The ratio of deliberations on investment and finance proposals has decreased, while the ratio of deliberations on MC's vision and structures supporting MC's vision has increased.



■ Policy measures in the Corporate Staff Section, etc.
■ Conventional management status reports by individuals in the Corporate Staff Section and Business Groups

*From the fiscal year ended March 31, 2021, conventional Corporate Staff Section and Business Group-specific management status reports are conducted outside of Board of Directors' meetings.

Further enhancement of the content of deliberations at Board of Directors' meetings

Fiscal year ended March 31, 2020
Deliberations

The following directions were confirmed through evaluation of the effectiveness of the Board of Directors and by the Governance, Nomination & Compensation Committee.

- Conventional reporting on management strategy and progress by the Corporate Staff Section and Business Groups would be performed at venues other than Board of Directors' meetings. Time freed up by this will be used for business execution reporting under a new framework.
- Specifically, to further improve monitoring functions for a framework that supports major directions such as companywide strategy and appropriate risk-taking, agenda items regarding MC's vision and structures supporting MC's vision would be expanded.

Fiscal year ended March 31, 2021
Execution

Contents of agenda items (see page 75 for the overall record of deliberations in Board of Directors' meetings for the fiscal year ended March 31, 2021)

MC's vision (progress of key items in the Midterm Corporate Strategy)	Triple-value growth through business management models	Business portfolio	• Reports on the Business Strategy Committee deliberations
		Growth mechanisms	• Status of progress of power and retail DX • Status of progress of food distribution DX
		HR policy	• Progress in the new HR system and measures
Structures supporting MC's vision (assurance of feasibility)	Regional Strategy	• Progress report on regional strategy (site-related measures, market development measures, etc.)	
	Domestic development	• Progress report on domestic development	
	Risk management	• Non-financial risk management • Financial risk management	
	Management of executed individual investment and finance proposals (monitoring of newly invested proposals in the next fiscal year)	• Status of HERE Technologies business investment and collaboration • Eneco management status	

Special Feature: Dialogue with an Outside Director and Outside Audit & Supervisory Board Member

MC is committed to further enhancement of the effectiveness of the Board of Directors through the continual improvement of governance

Tsuneyoshi Tatsuoka

Independent Outside Director

Rieko Sato

Independent Outside Audit & Supervisory Board Member



Note: The members removed their face masks only when this picture was taken.

Mr. Tatsuoka and Ms. Sato coordinated the evaluation of the effectiveness of the Board of Directors in the fiscal year ended March 31, 2021. In the following dialogue, they share their views about MC's corporate governance.

Stimulating discussion by introducing different perspectives

Tatsuoka I joined the Ministry of International Trade and Industry (now the Ministry of Economy, Trade and Industry) after the peak of Japan's high economic growth, so I have witnessed, from a governmental standpoint, the transitioning of the Japanese economy over the past 30 to 40 years. I have worked in fields relevant to MC's business domains, ranging from energy-related matters, such as oil decentralization and the power market liberalization, to various manufacturing industries, including automobiles, materials and machinery. I have also been involved in governance reform and organizational management. Throughout my entire career, rather than focusing on one particular field, I have been involved in various aspects of the economy and business, which allows me to apply my experience to wide-ranging discussions in various MC forums, including MC's Board of Directors.



Sato Like Mr. Tatsuoka, I am involved in a wide range of industries, including retail and manufacturing, food, pharmaceuticals and construction as well as trading companies, through my work as an attorney at a firm specializing in corporate legal affairs. During my time at the firm, and after studying in the US I was appointed as an independent outside audit & supervisory board

member at a food manufacturer in 2004. Since then, I have served as an outside director and audit & supervisory board member for various companies. Through this experience, I have learned about the specific factors influencing the industries in which I have been involved, problems affecting individual companies and the types of information used to make management decisions. I have also witnessed firsthand the changes that have occurred in boards of directors. I believe that my role is to speak up if I feel that there is a sense of discomfort, whether from an outside perspective or from the viewpoint of shareholders.

Tatsuoka The ability to incorporate views based on differing backgrounds and experience and a variety of perspectives is very useful for management. Broadly speaking, the main purpose of corporate governance is to find ways to achieve sustainable improvement in corporate value. In my view, the most important way to do this is by achieving a good balance between risk and the pursuit of opportunities, while taking into account the perspectives of outside Board members.

A corporate culture that welcomes opinion from outside Board members

Tatsuoka MC is involved in a wide variety of industries using various business models, so it would be difficult to understand every facet of its activities. However, the governance reforms implemented by MC over the past few years have steadily improved and expanded the provision of information available to help outside officers understand the company's activities. We now have numerous opportunities to obtain information on which to base our decisions, including extensive briefing sessions before Board of Directors' meetings. In addition, Outside Directors are able to attend discussions between Audit & Supervisory

Board Members and various Business Group executives, such as Business Group CEOs, and there are also opportunities for us to learn more about corporate culture and employee mindsets through interactions with mid-level and junior employees. I have also found that my opinion is always seriously considered. The earnestness and broad-mindedness with which people listen to the views of outside officers seem to be integral parts of MC's corporate culture, and this is important from the perspective of corporate governance.

Sato As an Audit & Supervisory Board Member, I believe the atmosphere at Board of Directors' meetings is one where everyone can speak freely. In addition, any information requested is provided promptly. My impression is that executives are always receptive to input and open-minded in their interactions with outside officers.

Tatsuoka As in the previous two years, the evaluation of the effectiveness of the Board of Directors for the fiscal year ended March 31, 2021 was coordinated by outside officers. This time the process was handled by Ms. Sato and myself. The fact that such a task was assigned to outside officers is another manifestation of the attitudes that we have been talking about. It is also worth noting that some of the topics raised as part of information sharing in Meetings of Independent Outside Directors and Independent Outside Audit & Supervisory Board Members and other forums were also discussed during meetings of the Board of Directors.

Sato One of the important themes this year is reviewing the Midterm Corporate Strategy 2021, which will be completed in the fiscal year ending March 31, 2022. I think it is important for the Board of Directors to share future issues based on internal and external environments by monitoring the progress of important items in this Midterm Corporate Strategy through business execution reports.

Tatsuoka I agree. One of the key themes will be the review of the Midterm Corporate Strategy 2021. However, in addition to looking back, we also need to build a shared understanding about future challenges. I believe there is still room for further fine-tuning of the reforms that have been implemented across MC.

Digital transformation (DX) and energy transformation (EX) initiatives are currently seen as the most important priorities, but MC also needs to offer a vision for the future beyond those changes so that it can move forward to the next stage.

Constant reform from a medium- to long-term perspective

Tatsuoka Looking back over the three years that I have spent as an Independent Outside Director at MC, I see clear evidence of improvement in the MC's corporate governance, which I find very encouraging. MC has advocated for enhancing monitoring functions, and that is currently being administered and implemented in ways best suited to the current state of MC. Specifically, MC raised the monetary threshold standards for items on agendas for Board of Directors' meetings. In the past, the majority of agenda items were related to individual investment proposals, but now more time is allocated to themes that are important from the perspective of companywide management, such as DX and EX, financial and non-financial risk management as well as sustainability. In addition, the improvement and expansion of briefing sessions have made it possible for the Board to start discussing core issues immediately. Within the Governance, Nomination & Compensation Committee, members can speak freely and hold discussions. It operates according to a fair and transparent process, where even details relating to compensation are disclosed. In the past, it was as if the Board was talking about ways to plant and nurture individual trees, but the focus has shifted toward ways to grow larger trees and even entire forests. I see this as key to a hybrid approach to business, and believe that such an approach, which contrasts with the management style of leaving everything to the executive organization and simply overseeing personnel matters and strategies, is well suited to this company. However, the external environment is changing at an unprecedented rate, and the corporate governance of MC will also need to constantly evolve.

Sato I have been an Independent Outside Audit & Supervisory Board Member at MC for over a year, and while I think the way topics are selected for discussion at Board of Directors' meetings is appropriate for MC, I also feel the scope of debate could be expanded further in this time of dramatic change. For example, I would like to see more in-depth deliberations about asset replacement through DX and EX, as well as roadmaps for those processes. Similarly, I also look forward to having more thorough discussions about shareholder returns and capital policy from the perspective of shareholders and investors. In addition, I believe there should be continuing discussions about optimal governance system based on the company's current situation and external environment.



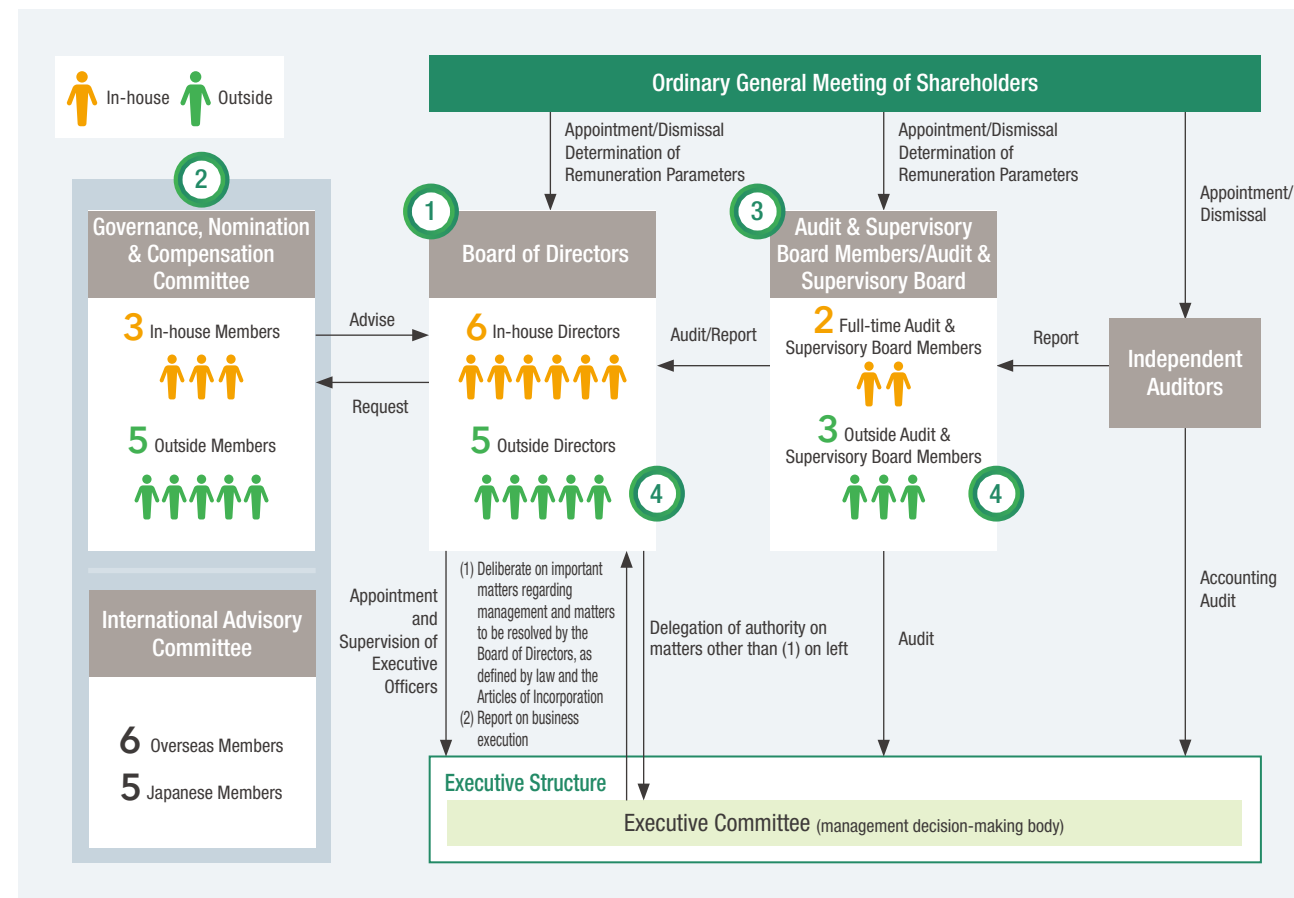
Overview of Corporate Governance

MC's Basic Policy on Corporate Governance

MC's corporate philosophy is enshrined in the Three Corporate Principles. Through corporate activities rooted in the principles of fairness and integrity, MC strives to continuously raise corporate value. MC believes that by helping to enrich society, both materially and spiritually, it will also meet the expectations of shareholders, customers and all other stakeholders.

In order to achieve these goals, MC recognizes strengthening corporate governance on an ongoing basis as its important subject concerning management since it is foundation for ensuring sound, transparent, and efficient management. MC, based on the Audit & Supervisory Board System, is thus working to put in place a corporate governance system that is even more effective. This includes strengthening management supervision through such measures as appointing Outside Directors and Outside Audit & Supervisory Board Members who satisfy the conditions for Independent Directors or Independent Audit & Supervisory Board Members, and establishing advisory bodies to the Board of Directors where the majority of members are Outside Directors and Outside Audit & Supervisory Board Members and other experts from outside MC. At the same time, MC uses the executive officer system, etc., for prompt and efficient decision-making and business execution.

Corporate Governance Framework (As of July 1, 2021)



1 Board of Directors

Check! > P.75

2 Board of Directors' Advisory Bodies

Check! > P.76-77

3 Audit & Supervisory Board Members/Audit & Supervisory Board

Check! > P.78-79

1 Board of Directors

Composition and Size of the Board of Directors and the Policy and Process for Appointing Nominated Directors

Composition and size	The composition and size of the Board of Directors is appropriately determined to help it maintain transparent, fair, timely and decisive decision-making and carry out effective oversight, with one third or more being made up of Outside Directors.
Appointment policy	To ensure decision-making and management oversight are appropriate for MC, which is involved in diverse businesses and industries in a wide range of fields, and from the perspective of ensuring diverse standpoints, several Directors are appointed from both within and outside MC with the depth of experience and high levels of knowledge and expertise needed for fulfilling their duties.
In-house Directors	In addition to the Chairman of the Board and the President and CEO, MC's In-house Directors are elected from Executive Officers (Senior Executive Vice Presidents and Executive Vice Presidents) responsible for companywide management so that they can fully leverage their abundant business experience to ensure appropriate decision-making and robust management supervision by the Board of Directors.
Outside Directors	Outside Directors are appointed from those who possess a practical perspective of highly experienced company officers and those who possess an objective and professional perspective with a deep insight on global dynamics and socio-economic trends. These individuals thus contribute to appropriate decision-making and robust management supervision by the Board of Directors as they bring diverse perspectives into its deliberations.
Appointment process	In line with policies described above, the President and CEO proposes a list of nominated Directors, which is then deliberated at the Governance, Nomination & Compensation Committee and resolved by the Board of Directors before being presented at the Ordinary General Meeting of Shareholders.

Matters Deliberated by the Board of Directors

The Board of Directors deliberates on important management issues, and supervises business execution through reports on priority matters in Midterm Corporate Strategy, the business strategies of Business Groups, and so on. In addition, matters requiring resolution in accordance with laws and regulations, and investment and finance proposals exceeding a monetary threshold standard set by MC are deliberated and resolved with an emphasis not only on the economic aspects, but also on ESG perspectives. MC has also

constructed appropriate internal control systems, and checks their operational status every year in order to work toward their continuous improvement and strengthening.

Business execution other than these matters for resolution by the Board of Directors is entrusted to Executive Officers by appointing the President as the Chief Executive Officer responsible for business execution, and the Executive Committee (meets twice monthly) as a management decision-making body.

Agenda of the Board of Directors in the Fiscal Year Ended March 31, 2021

Theme	Main resolutions and matters reported
Management strategy-related items	<ul style="list-style-type: none"> Business Strategy Committee report Business Execution reports (non-financial and financial risk management, human resources policy, domestic development, regional strategy, power and retail DX, food distribution DX)
Corporate-related items	<ul style="list-style-type: none"> Appointments of the Board of Directors and Audit & Supervisory Board Members/ Appointments of Executive Officers Remuneration for Directors and Audit & Supervisory Board Members Financial Statements Fundraising policy Verification holding policy for listed share Sustainability and social contribution-related policies Compliance report Internal control systems Consolidated business continuity management (BCM) measures
Investment and finance proposals	<ul style="list-style-type: none"> Chiyoda Corporation Mitsubishi Motors Corporation Mitsubishi HC Capital Inc. Vung Ang 2 Project Confirmation of business status for Eneco Groep N.V. and HERE International B.V.* <p>* New investments are monitored by the Board of Directors in the following fiscal year</p>
Other	<ul style="list-style-type: none"> Ordinary General Meeting of Shareholders-related items Governance, Nomination & Compensation Committee report Evaluation of the effectiveness of the Board of Directors State of response to COVID-19

2 Board of Directors' Advisory Bodies

Governance, Nomination & Compensation Committee Convenes three times or more per year



The committee meets at least three times a year and a majority of its members are Outside Directors. It deliberates on matters related to governance, nomination, and compensation.

Number and Percentage of Outside Directors*



* Based on status as of July 1, 2021

Composition of the Committee (*Committee Chairman) (As of July 1, 2021)

Outside Members (5)

Akihiko Nishiyama Outside Director	Akitaka Saiki Outside Director	Tsuneyoshi Tatsuoka Outside Director
Shunichi Miyanaga Outside Director	Sakie Akiyama Outside Director	

In-house Members (3)

Ken Kobayashi* Chairman of the Board	Takehiko Kakiuchi Member of the Board, President and CEO	Shuma Uchino Full-time Audit & Supervisory Board Member
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Note: The members removed their face masks only when this picture was taken, and ensured proper distance between their seats during the meeting.

Main Discussion Themes

Composition of the Board of Directors and Audit & Supervisory Board, policy on appointment of and proposals for appointment of Directors and Audit & Supervisory Board Members	Requirements for the President and CEO and basic policies concerning the appointment and dismissal of the President and CEO, as well as a personnel proposal for the President and CEO
Review of the remuneration package including the policy for setting remuneration and appropriateness of remuneration levels as well as composition	Evaluation of the effectiveness of the Board of Directors

President's Performance Evaluation Committee

The President's Performance Evaluation Committee has been established as a subcommittee to the Governance, Nomination & Compensation Committee, comprising the same Chairman and Outside Directors as the parent committee to deliberate the assessment of the President's performance. The President is not a member.

International Advisory Committee Convenes one time per year

The committee comprises overseas experts of various backgrounds, including politics, business, government and academia, and provides recommendations and advice from an international perspective.

International Advisory Committee (6) (As of July 1, 2021)

Member	Nationality	Title	Years served	Principal area of specialization and background
Ambassador Richard Armitage	United States of America	Former United States Deputy Secretary of State	5 years	Ambassador Armitage previously served as Special Emissary to Jordan and United States Deputy Secretary of State. He is widely experienced in foreign diplomacy, is a leading expert on Asia and Japan within the US and is acknowledged as an authority on the Middle East.
Professor Joseph S. Nye	United States of America	Harvard University Distinguished Service Professor	13 years	Professor Nye is a globally renowned scholar in the field of geopolitics. He has extensive networks not only in academia, but also in political and economic circles. Within the International Advisory Committee, he provides an annual overview of the international situation and makes valuable suggestions regarding industry trends.
Mr. Ratan N. Tata	India	Chairman, Tata Trusts	21 years	Mr. Tata has expanded his business presence to over 100 countries worldwide and has particularly deep knowledge of industrial as well as political and economic developments in India.
Mr. George Yeo	Singapore	Former Chairman, Kerry Logistics Network	8 years	Mr. Yeo has previously served as Singapore's Minister for Information and the Arts, Minister for Health, Minister for Trade and Industry, and Minister for Foreign Affairs. His background brings a wealth of knowledge in the geopolitical situation in ASEAN and China to the committee.
Mr. Niall FitzGerald, KBE	Ireland	Former CEO and Chairman, Unilever	8 years	Mr. FitzGerald, KBE has served as Chairman of several major companies such as Reuters and Unilever, as well as the British Museum. He has an outstanding knowledge of both geopolitics and industry, and his consideration of the impacts of geopolitical changes on business provides valuable advice for the International Advisory Committee.
Mr. Jaime Augusto Zobel de Ayala II	The Philippines	Chairman, Ayala Corporation	21 years	Mr. Zobel has experience in growing a global business launched from the ASEAN region, and therefore has a thorough knowledge of various geopolitical and industry trends in Asia, particularly in the ASEAN region.

Japanese Members (5) (As of July 1, 2021)

Chairman of IAC

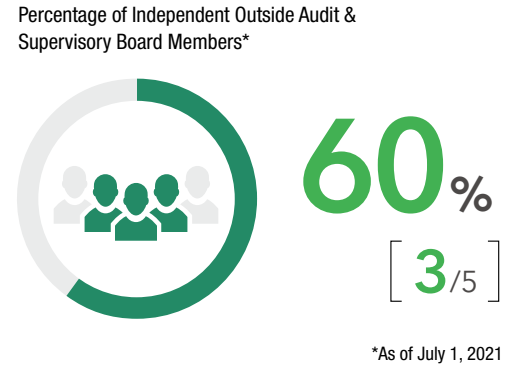
Ken Kobayashi Chairman of the Board	Takehiko Kakiuchi President and CEO	Yasuteru Hirai Member of the Board, Executive Vice President	Akitaka Saiki Outside Director	Tsuneyoshi Tatsuoka Outside Director
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Main discussion themes	
State of the Global Economy	Trade tensions, trends in emerging countries, country-based outlook
Geopolitics	Bilateral relations, world order, global risks
Innovation	Digitalization-driven changes in industry and society around the world

Note: Photo was taken at the latest in-person committee meeting. Advice and recommendations of committee members were obtained remotely during fiscal year ended March 31, 2021.

3 Audit & Supervisory Board Members/Audit & Supervisory Board

The Audit & Supervisory Board comprises all of the Audit & Supervisory Board Members responsible for auditing the decision-making processes and management performances of Directors in compliance with the Companies Act and other laws and regulations, as well as Mitsubishi Corporation's Articles of Incorporation and internal rules/regulations. Full-time Audit & Supervisory Board Members ensure the soundness of the management by executing audits from a perspective based on abundant working experience at the Company, while Outside Audit & Supervisory Board Members execute audits with a background of abundant working experience in their particular fields as well as neutral and objective perspectives. In addition to resolutions of matters required by law and other important issues, the Audit & Supervisory Board strives to enhance information-sharing among the members through briefings on key matters and reporting the status of auditing activities for each of the members.



Audit Plans

Prior to each fiscal year, the Audit & Supervisory Board formulates audit plans with key areas. In the fiscal year ended March 31, 2021, the following three key audit areas were selected for the monitoring of specific progress in management and execution.

- 1 Measures Related to Midterm Corporate Strategy 2021:**
 - Initiatives aimed at achieving digital transformation (DX)
 - Progress in the streamlining and restructuring of existing businesses
 - Implementation of both employee development and revitalization measures
- 2 Enhancing MC Group Management:**
 - Delegation of authority and development/implementation of management systems reflecting the actual state of business management
 - Autonomous activities at all MC offices and subsidiaries in accordance with new regional frameworks
 - Responding to Key Sustainability Issues
 - Business continuity management in core businesses
- 3 Initiatives to Strengthen Group Corporate Governance**
 - Enhancement of deliberations at Board of Directors' meetings
 - Strengthening the effectiveness of control companywide
 - Self-sustaining governance through the dispatch of full-time audit & supervisory board members to business subsidiaries and affiliates

Approaching the Final Year of Midterm Corporate Strategy 2021

In the fiscal year ended March 31, 2021, we affirmed progress in Midterm Corporate Strategy 2021 and the initiatives toward enhancing Group management and strengthening Group corporate governance. Amid constraints on traveling due to the prolonged COVID-19 pandemic, as Full-time Audit & Supervisory Board Members we actively collected information and strived to understand our situation through dialogues with executives of MC as well as MC Group companies using remote communication tools as necessary, while working to strengthen cooperation with Outside Directors and Outside Audit & Supervisory Board Members. We will continue working to strengthen our corporate governance as we assess the effects of the pandemic.

As we reach the final year of Midterm Corporate Strategy 2021, we will keep monitoring the status of management execution while taking into account social situations including digitalization and low carbon/decarbonization.



Shuma Uchino
Full-time Audit & Supervisory Board Member



Hajime Hirano
Full-time Audit & Supervisory Board Member

Main Activities of the Audit & Supervisory Board and Its Members

- 1 Dialogue with Executive Officers**
Opportunities are created for all Audit & Supervisory Board Members, including Outside Audit & Supervisory Board Members, to engage in dialogues with the Chairman of the Board, President and CEO, Corporate Functional Officers, Business Group CEOs, Business Division COOs, Administrative Department General Managers, and the General Managers of the Corporate Staff Section.
- 2 Attendance at Important Meetings**
Besides the Audit & Supervisory Board meetings, Full-time Audit & Supervisory Board Members attend meetings of major internal management bodies, including Board of Directors, Governance, Nomination & Compensation Committee, Executive Committee, and Business Strategy Committee as well as provide opinions as necessary. The Outside Audit & Supervisory Board Members also attend meetings of the Board of Directors after being briefed on discussions in the Executive Committee and lower conference bodies, and provide opinions as necessary.
- 3 On-Site Audits and Visits**
In the fiscal year ended March 31, 2021, the Audit & Supervisory Board enhanced on-site audits and visits in Japan, due to restrictions on traveling overseas during the COVID-19 pandemic. In addition, remote audits were conducted using a variety of tools in response to the situation. In the fiscal year ended March 31, 2021, the Audit & Supervisory Board Members met with the CEOs and executive officers of four companies in four countries overseas and 24 domestic MC Group companies, as well as the regional chiefs of three overseas and domestic offices. The Audit & Supervisory Board Members reported on the results of their on-site audits to the Chairman of the Board, the President and CEO, and relevant executive officers.



Mitsubishi Corporation Machinery, Inc.
Remote audit



MC Healthcare, Inc.
Receiving an explanation of medical equipment during on-site audit

- 4 Strengthening of Group Corporate Governance**
In addition to dialogues with the CEOs and other executive officers of the MC Group companies, opportunities are arranged for the exchange of information every quarter with the audit & supervisory board members of 40 major Group companies in Japan. Smaller groups of subcommittees also meet among them to share information and exchange opinions. We also provide assistance in training for those who will be assigned to the MC Group companies as full-time audit & supervisory board members. We will continue working to strengthen the Group corporate governance through regular monitoring.
- 5 Collaboration among Outside Directors and Outside Audit & Supervisory Board Members**
Outside Directors participate in dialogues between Audit & Supervisory Board Members and executive officers, and in briefing sessions on important matters to be discussed at the Board of Directors. We are maintaining close alignment among Outside Audit & Supervisory Board Members and Outside Directors through opinion exchange at various occasions including meetings of Independent Outside Directors and Independent Outside Audit & Supervisory Board Members.

Number of dialogues with CEOs and other Executive Officers*1

71 [69*2]

Number of major meetings*1

163 [25*2]

Number of on-site audits and visits*1

31 companies/
locations [26 companies/locations*2]

*1 Numbers for the fiscal year ended March 31, 2021

*2 Number of times in which one or more Outside Audit & Supervisory Board Members participated

Enhancement of Tripartite Audits

Audit & Supervisory Board Members strive to further strengthen cooperation with independent auditors and the Internal Audit Department in order to assess the Company's situation with the aim of improving the effectiveness of audits.

Collaboration with Independent Auditors and Evaluation of Independent Auditors

We work with independent auditors through their outline briefings on accounting audit plans, audit reports for quarterly results, and monthly meetings. During on-site audits and visits, we also exchange opinions with the independent auditors of MC Group companies in Japan and overseas.

With regard to performance evaluations of independent auditors, we keep track of evaluation data during the fiscal year from regular audit reports and other sources, and hold an independent auditor evaluation conference at the end of the fiscal year. As a result, we have concluded that the current independent auditors performed appropriate audits in a professional manner, and accordingly, the Audit & Supervisory Board resolved to reappoint the independent auditors.

Collaboration with the Internal Audit Department

The Internal Audit Department and Full-time Audit & Supervisory Board Members hold monthly meetings where exchanges of opinions are made concerning reports on internal audit results. Also at Audit & Supervisory Board meetings, the Internal Audit Department reports their quarterly audit results that are also reported to the President and CEO.

In addition, Audit & Supervisory Board Members attend the internal auditor liaison meetings of 49 major MC Group companies in Japan held by the Internal Audit Department, while the General Manager of the Internal Audit Department attends liaison meetings held by MC's Audit & Supervisory Board Members with the audit & supervisory board members of the MC Group companies mentioned above, and all parties collect audit information and exchange opinions.

4 Outside Directors and Outside Audit & Supervisory Board Members

Outside Directors and Outside Audit & Supervisory Board Members are as follows (as of July 1, 2021).

Independent Outside Directors



Akihiko Nishiyama

Main career: Professor, Ritsumeikan University

Number of years on Board of Directors: 6 years

B 13/13
G 5/5

Mr. Nishiyama has an extensive and varied career that includes both entrepreneurial and management experience, work on think-tank surveys and university-level business studies, all of which have equipped him with broad expertise in organizational reforms, HR development and business management.



Akitaka Saiki

Main career: Former Vice-Minister of Foreign Affairs, Ministry of Foreign Affairs of Japan

Number of years on Board of Directors: 4 years

B 13/13
G 5/5

Mr. Saiki worked with Japan's Ministry of Foreign Affairs and this has given him sensitive insight into geopolitics. He also possesses keen expertise in country risk and a broad network of contacts in that area.



Tsuneyoshi Tatsuoka

Main career: Former Vice-Minister of Economy, Trade and Industry, Ministry of Economy, Trade and Industry of Japan

Number of years on Board of Directors: 3 years

B 13/13
G 5/5

Mr. Tatsuoka worked at Japan's Ministry of Economy, Trade and Industry, and brings to MC's Board extensive know-how with respect to strategies in resources, energy, manufacturing and other industries; insight into the economic policies and trends adopted both in and outside of Japan; and extensive knowledge of sustainability measures.



Shunichi Miyanaga

Main career: Chairman of the Board, Mitsubishi Heavy Industries, Ltd.

Number of years on Board of Directors: 2 years

B 13/13
G 5/5

Mr. Miyanaga possesses deep knowledge in the tech sectors and has spent many years at the helm of a listed manufacturing conglomerate that is engaged in businesses all over the world. He brings to MC's Board global management experience and practical insight.



Sakie Akiyama

Main career: Founder and CEO, Saki Corporation

Number of years on Board of Directors: 1 year

B 9/9*
G 5/5*

Ms. Akiyama possesses extensive expertise in the digital and IT spaces having worked as an international business consultant and is the founder of Saki Corporation, a firm that specializes in robotic inspection systems for the electronics assembly markets. She brings to MC's Board a wealth of know-how in innovation and its role in growing global enterprises.

Ratio of Independent Outside Directors to Directors



45%

[5/11]

- Member of the Governance, Nomination & Compensation Committee
- Member of the International Advisory Committee

Independent Outside Audit & Supervisory Board Members



Yasuko Takayama

Main career: Former Audit & Supervisory Board Member, Shiseido Company, Limited

Number of years on Audit & Supervisory Board: 5 years

B 13/13
A 12/12

Ms. Takayama possesses extensive experience in branding strategy, marketing and sustainability gained at a B2C company, having held key positions including Full-time Audit & Supervisory Board Member at Shiseido Company, Limited, in addition to management perspectives nurtured through extensive experience as an Outside Director and Outside Audit & Supervisory Board Member.



Rieko Sato

Main career: Partner, ISHII LAW OFFICE

Number of years on Audit & Supervisory Board: 1 year

B 8/9*
A 9/9*

Ms. Sato possesses extensive knowledge of corporate law (Companies Act, Financial Instruments & Exchange Act, compliance, etc.), having worked as an attorney for many years, and management perspectives gained through extensive experience as an Outside Director and Outside Audit & Supervisory Board Member.



Takeshi Nakao

Main career: CEO, PARTNERS HOLDINGS, Co. Ltd.

Number of years on Audit & Supervisory Board: 1 year

B 9/9*
A 9/9*

Mr. Nakao possesses profound knowledge of finance and accounting as a certified public accountant, as well as extensive insight gained through many years of experience in advisory work on M&A deals, corporate revitalization and internal control.

B Attendance at Board of Directors' meetings in the fiscal year ended March 31, 2021

G Attendance at Governance, Nomination & Compensation Committee meetings in the fiscal year ended March 31, 2021

A Attendance at Audit & Supervisory Board meetings in the fiscal year ended March 31, 2021

* Indicating attendance after appointment as Outside Director and Outside Audit & Supervisory Board Member on June 19, 2020.

Meetings of Independent Outside Directors and Independent Outside Audit & Supervisory Board Members

MC facilitates the exchange of information and sharing of ideas from an independent and objective standpoint in order to sustain growth and enhance corporate value over the medium and long term. These discussions are reported to the Board of Directors as necessary.

■ Main Discussion Themes (Fiscal Year Ended March 31, 2021)

- The Corporate Governance Framework of MC
- Succession planning
- Future issues and initiatives based on evaluation of the effectiveness of the Board of Directors



Note: The members removed their face masks only when this picture was taken, and ensured proper distance between their seats during the meeting.

Stance on Acquisition, Holding and Reduction in Listed Stocks/ Reduction in Holdings of Listed Stocks

Stance on acquisition, holding and reduction in listed stocks

MC may acquire and hold shares acquired for other than pure investment as a means of creating business opportunities and building, maintaining and strengthening business and partner relationships. When acquiring these shares, MC confirms the necessity of its acquisition based on the significance and economic rationale of the purchase in accordance with internal company rules. Also, MC periodically reviews the rationality of continuing to hold the shares and promotes reducing holdings of stocks with decreased significance.

Verification policy for holding individual shares

The Board of Directors verifies all of the listed shares (excluding pure investment) held by MC from the perspectives of both economic rationale and qualitative significance of holding them every year.

The economic rationale is confirmed by whether or not the related earnings from each stock, such as dividends and related business profits on transactions, exceed MC's target capital cost (weighted average cost of capital) for the market price of each individual share. The qualitative significance is confirmed by the achievement or status of progress of the expected purpose for holding the stock, etc.

Reduction in holdings of listed stocks

Based on the results of the above verification, in the fiscal year ended March 31, 2021, we sold 68.7 billion yen, a decrease of slightly less than 20% compared to the previous fiscal year. As of the fiscal year ended March 31, 2021, the total market value was 448.9 billion yen (excluding deemed shareholdings).

Past reduction results are as follows.

2019/3	2020/3	2021/3
¥82.3 billion	¥73.0 billion	¥68.7 billion

(Excluding market value basis and deemed shareholdings)

Matters verified by the Board of Directors

Verification was conducted by the Board of Directors for all listed shares held by MC as of March 31, 2021. As a result of verification from the perspectives of both economic rationale and qualitative significance of holding them, numerous shares were identified as candidates for reduction due to a decreased importance of the expected purpose and significance for holding them, etc.

Overview of Remuneration Package

Basic Approach

Remuneration levels	<ul style="list-style-type: none"> Remuneration levels are set based on the functions and roles of the Directors and Audit & Supervisory Board Members, and the Company's level of performance and others. Remuneration levels are globally competitive and based on performance targets to motivate career growth in human resources who will be responsible for the next generation of management and to further raise organizational vitality.
Remuneration composition	<ul style="list-style-type: none"> Remuneration for Directors is designed for greater focus on increasing medium- and long-term corporate value by more closely linking remuneration to medium- to long-term corporate value and fiscal year earnings, as well as the creation of stock remuneration with stronger ties to shareholder value, in addition to cash compensation. From this perspective, consolidated net income (single year and medium to long term), the share price and growth rates in shares (medium to long term) are adopted as key performance indicators. To ensure the independence of the Chairman of the Board and Outside Directors, who undertake functions of management oversight, and Audit & Supervisory Board Members, who undertake audits, the Company only pays them fixed monthly remuneration.
Governance of remuneration	<ul style="list-style-type: none"> The Governance, Nomination & Compensation Committee, where a majority of the members are Outside Directors and Outside Audit & Supervisory Board Members, continuously deliberates and monitors methods for deciding remuneration packages, the fairness of remuneration levels and compositions, and the status of implementation.

Remuneration Package for Directors and Audit & Supervisory Board Members

Remuneration item/Composition	Key performance indicator (KPI)	Form of payment	Remuneration details	Executive Directors	Chairman of the Board	Outside Directors	Audit & Supervisory Board Members	
Base salary	Fixed: about 20-50%	Cash	· An amount determined by the Board of Directors according to position, paid monthly.	1	1	1	5	
Annual deferral for retirement remuneration			· Fixed amount of annual deferral for retirement remuneration set aside each year; to be paid in full retirement, with Board of Directors' approval of payment amounts. · By resolution of the Board of Directors, non-payment or reduction of the amount is possible in the event of a serious violation of a delegation agreement, etc.	1	—	—	—	
Individual performance bonus	Variable (single year): about 25-35%	Cash	· Payment amount determined for each Director and Executive Officer based on performance assessments by the President, with the authority delegated by the Board of Directors. · The assessment on the President's performance is determined by the President's Performance Evaluation Committee. · Performance assessment results are reported to the Board of Directors and Governance, Nomination & Compensation Committee.	1	—	—	—	
Performance-linked bonus (short term)			Consolidated net income (single year)	· The amount paid is determined in line with consolidated net income in the relevant fiscal year [average of three fiscal years in the case of medium to long term], based on formulas resolved by the Board of Directors following deliberation by the Governance, Nomination & Compensation Committee. · The amount is adjusted in line with performance if consolidated net income [average over the relevant fiscal year and subsequent two fiscal years in the case of medium to long term] exceeds the level of earnings that leads to enhanced corporate value (consolidated capital cost) [average over the three years in the case of medium to long term].	2	—	—	—
Performance-linked bonus (medium to long term)			Consolidated net income (medium to long term)	· No bonus is paid if the amount is below consolidated capital cost [average of three fiscal years in the case of medium to long term] for the relevant business year. · The total amount to be paid is capped.	3	—	—	—
Stock-based remuneration linked to medium- to long-term share performances	Variable (medium to long term): about 25-45%	Shares (stock acquisition rights)	· Stock options as remuneration are granted from the perspective of aligning Directors' interests with those of shareholders and providing incentives to enhance corporate value and to increase the Company's share price over the medium to long term. · The Board of Directors determines the number of shares allocated to each person. · No allocated stock options can be exercised for a three-year performance period. Based on a formula decided by the Board of Directors following deliberation by the Governance, Nomination & Compensation Committee, the number of stock options that can be exercised at the end of this period varies according to the share growth rate (calculated as Total Shareholder Return (TSR) divided by the TOPIX benchmark growth rate over the same period). · The basic policy is that Directors are obliged to hold any shares while in office. Sales of such shares are restricted until their aggregate market value exceeds approximately 300% of the base salary of each position.	4	—	—	—	

Note: 1 to 5 in the table indicate the number of limits on remuneration that correspond to each remuneration item. See the next table for details.

			(Figures rounded down to nearest million yen)	
Item type	Item details	Total remuneration** (fiscal year ended March 2021)		
1	Base salary, annual deferral for retirement remuneration, and individual performance bonus totaling up to ¥1.5 billion annually (for Outside Directors, base salary totaling up to ¥180 million per year)	¥1,106 billion	(of which, ¥149 million for Outside Directors)	
2	Performance-linked bonus (short term) up to 0.06% of consolidated net income (attributable to owners of the Company) for the relevant fiscal year (annual amount)	¥0 million		
3	Performance-linked bonus (medium to long term) up to 0.06% of the average of consolidated net income (attributable to owners of the Company) for the relevant fiscal year and subsequent two fiscal years (annual amount)	¥0 million		
4	Stock-based remuneration linked to medium- to long-term share performances up to ¥600 million annually (up to 400,000 shares annually)	¥308 million (268,100 shares)		
5	Audit & Supervisory Board Member remuneration*	¥238 million (of which, ¥63 million for Outside Audit & Supervisory Board Members)		
Total			¥1,653 billion	

*1 Approved at the Ordinary General Meeting of Shareholders for the fiscal year ended March 31, 2019. The number of directors to whom the above amounts of director remuneration (excluding stock-based remuneration linked to medium- to long-term share performance) applied was 13 (including 5 Outside Directors); the number of directors to whom the above amount of stock-based remuneration linked to medium- to long-term share performance applied was 7; and the number of Audit & Supervisory Board Members to whom the above amount of Audit & Supervisory Board Member remuneration applied was 5 (including 3 outside members).

**2 Please see page 85 for details on remuneration of Directors and Audit & Supervisory Board Members.

Calculation Method for Performance-Linked Remuneration (Fiscal Year Ending March 31, 2022)

Performance-linked bonus (short term)

(1) Upper limit on total payment

The upper limit is the lower of i) ¥600 million or ii) the maximum total of individual payment amounts prescribed in (2) below

(2) Individual payments

President and CEO	(consolidated net income [attributable to owners of MC] in the fiscal year ending March 31, 2022 - ¥440 billion) × 0.025% + 0.35 (¥100 million)
Executive Vice President	(consolidated net income [attributable to owners of MC] in the fiscal year ending March 31, 2022 - ¥440 billion) × 0.0075% + 0.105 (¥100 million)

Note: The payment amount will be zero if consolidated net income is lower than the consolidated capital cost. Consolidated capital cost for the fiscal year ending March 31, 2022 is ¥440 billion.

Performance-linked bonus (medium to long term)

(1) Upper limit on total payment

Same as performance-linked bonus (short term)

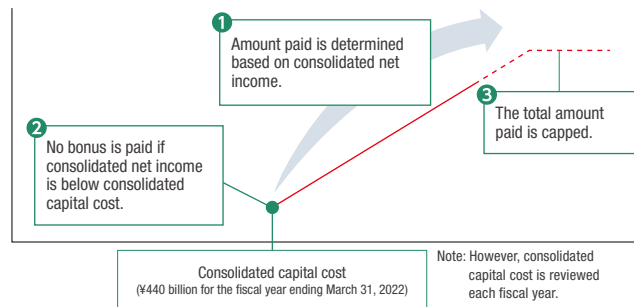
(2) Individual payments

President and CEO	(Average consolidated net income [attributable to owners of MC] for the three fiscal years ending March 31, 2022, March 31, 2023, and March 31, 2024 - ¥440 billion) × 0.025% + 0.35 (¥100 million)
Executive Vice President	(Average consolidated net income [attributable to owners of MC] for the three fiscal years ending March 31, 2022, March 31, 2023, and March 31, 2024 - ¥440 billion) × 0.0075% + 0.105 (¥100 million)

Note: The payment amount will be zero if the average of consolidated net income falls below the average consolidated capital cost for the three fiscal years.

Maximum Payment and Total for Each Position

Position	Maximum payment amount	Number of persons	Total
President and CEO	¥175 million	1	¥175 million
Executive Vice President	¥52.5 million	4	¥210 million
Total		5	¥385 million



Stock-Based Remuneration Linked to Medium- to Long-Term Share Performances

(1) Upper limit on total payment

The upper limit is ¥600 million. However, the upper limit on total number of shares per year is 400,000 shares (4,000 stock options).

(2) Conditions for exercise of stock options

Some or all stock options may be exercised depending on the stock growth rate (market conditions*).

Number of stock options that can be exercised by each position

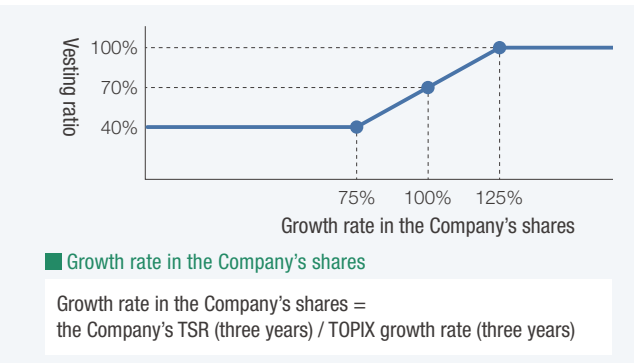
Number of stock options initially allocated for the position (based on positions as of April 1, 2021) × vesting ratio

Stock options initially allocated by position

President and CEO	100,500 shares (1,005 options)
Executive Vice President	27,700 shares (277 options)

Vesting ratio

The vesting ratio varies, as shown to the right, depending on the growth rate in the Company's shares over the three-year period from the allocation date.



Governance of Remuneration

The Governance, Nomination & Compensation Committee deliberates and the Board of Directors decides the policy for setting Directors' remuneration and the remuneration amount (actual payment amount).

The total remuneration amount (actual payment amount) and individual payment amounts for Directors, excluding individual performance bonuses, are determined by a resolution of the Board of Directors within the upper limits for each type of remuneration decided by resolution of the Ordinary General Meeting of Shareholders held on June 21, 2019. Base salary and annual deferral for retirement remuneration, forms of fixed remuneration, are paid in amounts determined by the Board of Directors. As for variable remuneration, payments of performance-linked bonuses (short term), performance-linked bonuses (medium to long term) and stock-based remuneration linked to medium- to long-term share performances are determined, while reflecting key performance indicators (KPIs), based on a formula set by the Board of Directors

following deliberation by the Governance, Nomination & Compensation Committee.

The payment amounts of individual performance bonuses paid to Directors based on their individual performance assessment, including qualitative assessment, are determined and paid on an individual basis, reflecting the President's yearly performance assessment of each Director for the relevant fiscal year (the Board of Directors delegates authority to the President for deciding the individual payment amounts).

Performance evaluations of Executive Directors comprehensively take into account their contributions to the organizations and businesses they oversee; their contributions to management of the entire Company, Corporate Staff Section, Business Groups and offices; the achievement of triple-value growth and the state of sustainability initiatives from an ESG perspective.

The annual assessment on the President's performance is decided by the

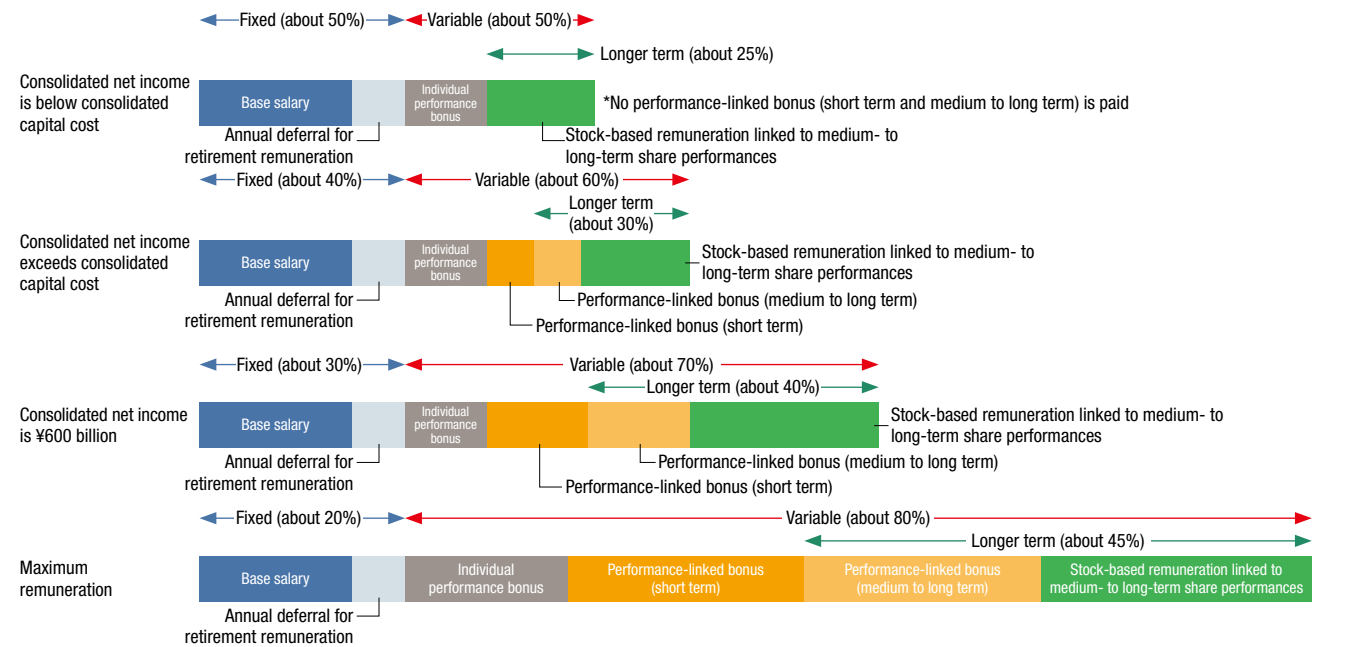
President's Performance Evaluation Committee, which is delegated this authority by the Board of Directors (and is a subcommittee of the Governance, Nomination & Compensation Committee). The subcommittee is comprised of the Chairman of the Board, who also serves as the chair of the Governance, Nomination & Compensation Committee, and Outside Directors sitting on the committee (see page 76). Results of the performance assessment are reported to the Board of Directors and the Governance, Nomination & Compensation Committee to ensure objectivity, fairness and transparency.

Based on the policy for determining remuneration packages (including methods for calculating performance-linked remuneration) that was approved at the ordinary meeting of the Board of Directors held on May 17, 2019, and the extraordinary meeting of the Board of Directors held on June 21, 2019, each year, the Governance, Nomination

& Compensation Committee deliberates and the Board of Directors makes a resolution determining that the total amount of director remuneration packages and methods for deciding payments to individual directors are consistent with said policy for determining remuneration packages.

Each year, the Governance, Nomination & Compensation Committee deliberates and evaluates the fairness of remuneration levels and composition based on compensation data provided by an external consulting firm (Willis Towers Watson). Total and individual amounts of remuneration paid to Audit & Supervisory Board Members are determined following deliberations by the Audit & Supervisory Board within the scope of remuneration for Audit & Supervisory Board Members approved at the Ordinary General Meeting of Shareholders held on June 21, 2019.

Conceptual Image of Payment Mix for Remuneration of Executive Directors



Directors' and Audit & Supervisory Board Members' Remuneration:

Total Amounts and Number of Eligible Persons in the Fiscal Year Ended March 31, 2021

(Unit: millions of yen)

Title	Total remuneration	Base salary		Annual deferral for retirement remuneration		Individual performance bonus		Performance-linked bonus (short term)		Performance-linked bonus (medium to long term)		Stock-based remuneration linked to medium- to long-term share performances	
		Eligible persons	Total	Eligible persons	Total	Eligible persons	Total	Eligible persons	Total	Eligible persons	Total	Eligible persons	Total
In-house Directors	1,265	8	735	6	80	5	140	5	0	5	0	6	308
Outside Directors	149	6	149	—	—	—	—	—	—	—	—	—	—
Full-time Audit & Supervisory Board Members	174	2	174	—	—	—	—	—	—	—	—	—	—
Outside Audit & Supervisory Board Members	63	5	63	—	—	—	—	—	—	—	—	—	—

(Figures rounded down to nearest million yen)

- Notes:
- The above figures include 3 Directors and 2 Audit & Supervisory Board Members who retired during the fiscal year ended March 31, 2021. Furthermore, there were 11 Directors (including 5 Outside Directors) and 5 Audit & Supervisory Board Members (including 3 Outside Audit & Supervisory Board Members) as of March 31, 2021.
 - The above amounts of individual performance bonus represent the amounts provided for in the fiscal year ended March 31, 2021.
 - The above figures for performance-linked bonus (short term) is determined based on consolidated net income of 172.6 billion yen for the fiscal year ended March 31, 2021, based on a formula confirmed in advance by the Governance, Nomination & Compensation Committee and resolved by the Board of Directors.
 - The above amounts for performance-linked bonus (medium to long-term) is paid on an average of the consolidated net income for the fiscal years ended March 31, 2020 to 2022 and the fiscal years ended March 31, 2021 to 2023, but as this cannot be decided currently, the amount shown is as of the fiscal year ended March 31, 2021. The actual amount paid will be based on a formula confirmed in advance by the Governance, Nomination & Compensation Committee and resolved by the Board of Directors, and the amount for the fiscal year ended March 31, 2020/2021 disclosed in the Fiscal 2022/2023 Business Report.
 - The above figures for stock-based remuneration linked to medium- and long-term share performances (stock options with market conditions) is the amount recorded as an expense granted for the fiscal year ended March 31, 2021. In regard to stock-based remuneration linked to medium- and long-term share performances, the number of exercisable shares will be determined according to the growth rate in MC's shares over three years from being granted, based on a formula confirmed in advance by the Governance, Nomination & Compensation Committee and resolved by the Board of Directors.
 - In addition to the above, MC paid executive pensions to retired Directors and Audit & Supervisory Board Members. The amounts paid in the fiscal year ended March 31, 2021 were as follows:
The retirement bonus system, including executive pensions for Directors and Audit & Supervisory Board Members, was abolished at the close of the 2007 Ordinary General Meeting of Shareholders.
MC paid 107 million yen to 63 Directors (Outside Directors were ineligible for payment).
MC paid 4 million yen to 7 Audit & Supervisory Board Members (Outside Audit & Supervisory Board Members were ineligible for payment).